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STATE AND FEDERAL TAXATION OF THE MINERALS EXTRACTION INDUSTRY

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ABSTRACT

A variety of state and federal tax instruments are imposed on the minerals extraction industry to attain specified goals of efficient resource conservation, revenue generation economic development and equitable return of resource rents to the public. We present herein a discussion of the major federal and state policies and present specific laws and citations on a state-by-state basis.

INTRODUCTION

Federal taxation of mineral resources has evolved primarily as a function of policy goals inclusive of depletion rates and the equity of economic rents to the public. Tax policy by the states, however, has emerged in patchwork fashion, often more sensitive to political winds and short-sighted revenue objectives than resource management policies which consider intertemporal welfare, conservation, technological change and distributional equity. In recent years, however, many states are seeking to advance their sophistication and efficiency in responding to these longer-term concerns and many have altered tax policy to address them.

In addition to restructuring policy on a state-by-state basis, entire regions are jointly addressing mineral extraction policy, seeking to attain uniformity and thereby reducing competition for revenues. Ten western states have joined in an effort to unify tax policy relating to energy resources.[1]

In examining and evaluating taxation of minerals extraction operations, it is important to consider that the problem of taxing mines is part of a more fundamental problem --how to tax all economic agents so as to implement a wide variety of policy goals.

The goals of mineral resource taxation can be distinguished by those associated with national or societal needs and those reflecting state or local concerns. At the societal level we are concerned with optimal rates of resource depletion, minimizing output price to the consumer without distorting efficient market allocation, national security, and equitably distributing rents between public and private interests. At the state or local level, concerns for short and long term revenue requirements, economic development and exportability of the tax burden are dominant.

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1. Western Governor's Regional Energy Policy Office, Policies and Positions, July 29, 1975.

Numerous theories have been advanced suggesting that minerals should be subject to heavier taxation than other real property. Three prominent examples are:

1. Mineral resources are a natural heritage and their depletion warrants compensation to the state.[2]
2. Mineral resources do not reproduce themselves and the stock value diminishes, hence, extraction should be taxed heavily.[3]
3. The tax base of the state is depleted as the resource is depleted for which the state should be compensated by the extracting industries.[4]

Each of these arguments can be supported on conservation or budgetary grounds. On the other hand, a tax should have a neutral effect on the allocation of resources. It should not encourage the rapid depletion of mineral resources at the expense of surface resources. However, the presence of external or non-market costs may justify a non-neutral tax policy, e.g. when the consumption of one mineral resource is less polluting than substitutes for that resource.

A tax policy on mining operation should consider the economic structure and cost--revenue relationships of the mining industry. The basis of any analysis of a mining operation is the ore body which represents the concentration of minerals which can be profitably produced, and the cut-off value which is the level of contained value of the ore at which marginal cost equals marginal revenue. Ore bodies are characterized as bonanza, moderate grade and low grade with the latter being the dominant form of mining operation today. These low grade operations are characterized by large amounts of reserves, are bulk mined and exhibit low labor costs and high capital intensity. This type of deposit produces flat tonnage worries, and operations sensitive to cost-value changes, rates of recovery, mismanagement, taxations and assessments.[5]

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2. Allen, Ad Valorem Versus Severance Taxation of Minerals, in Proceedings of the Forty Fifth Conference on Taxation of the National Tax Association, 574, 576, (1952).

3. ibid.

4. Jones, The Struggle for Equitable Taxation of Mines - The New Mexico Example, 16, Rocky Mountain Mineral Law Institute, 463, 478-9 (1971).

5. Lacy, Taxation, Assessments and Ore Deposits in Symposium on Mine Taxation, University of Arizona, 2-1 (1969).

Under conditions of perfect competition a mining firm will maximize profits at that rate of extraction at which marginal cost equals price. However, given the highly imperfect nature of mine operations in reality, a firm maximizes profits by producing at that rate of extraction at which costs per ton are minimized. In effect, the objective of the firm is to maximize the present value of future earning from the mine. Hence, all profits are discounted at the rate of interest.[6] Any rate of interest exceeding zero thus encourages the mine operator to increase the rate of depletion up to that point where marginal cost equals price.

The result of this discussion is to point out that taxation may theoretically have a significant impact upon the rate of mineral extraction, particularly assuming high interest rates and low grade ore deposits. In fact, however, as the reader may note in reviewing the tables which follow, the taxes imposed by most states are so insignificant that they are not apt to measurably affect output decisions. Most are token burdens, serving only to generate adequate revenues to meet particular budgetary requirements and fail to address the core issues of resource management.

In the following discussion we examine and evaluate the three major tax structures imposed on mining operations at the federal and state levels. The taxes are the ad valorem property tax, the severance tax and the net proceeds or income type taxes.

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6. Long, Coal Taxation in the Western States: The Need for a Regional Tax Policy, Natural Resources Journal, Vol. 16, April 1976, p. 422.

PROPERTY TAX

The ad valorum property tax is a tax imposed on the market value of real and personal property. The tax is computed by applying a tax rate, usually expressed in mills per dollar to a specified percentage of the market value of the property.

Determining a fair market value for sub-surface reserves imposed the major problem in applying ad valorum property taxation to mining operations. Surface rights, improvements and mining equipment are relatively easy to valuate and are not substantially different from other types of real property. The problem is the unknown character of the reserves. Compounding this difficulty, most states require that property taxes be imposed with uniformity and equality upon each class of property.

In response to this difficulty two general approaches to mineral reserve assessment have evolved. One approach has been to simply assess reserve value based on annual production value from the mine, or, in a slightly more sophisiticated version of the same theme, to employ an average of previous years (some states use the higher of the two). In addition, several states impose a tax on the net value of production in lieu of the value of reserves in place. Long points out that neither of these are true property taxes. The first is a severance tax and the second is a net income tax.[1]

A second general approach bases value of expected earnings from the mining operation. Though technically correct, this approach is beset by numerous uncertainties. One atttempt at assessing this present value is the Haskold[2] formula which assumes that enough mine income will accumulate during the life of the mine to repay the investor his original capital. The major difficulty with the formula is the lack of consensus on values for variables in the formula such as years of mine life and size of the ore body.

~~Of those states which impose an ad valorem property tax on mines, use an assessment method based on annual production and use a formula method to determein the present value of the in-place reserves.~~

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1. Long, Coal Taxation in the United States.

2. The Hoskold formula for expected future earnings of a mining operation is:

$$\text{Present value} = \frac{A}{\frac{r}{R^{n}-1} + r^{1}}$$

r = practical safe rate on redemption of capital
r^1 = speculative rate to purchasers on capital investment
N = years of life of the mine (continued)

Another difficulty in determining accurate reserve values is the inadequacy of data available to the public on size an quality of the ore body. While Gaffney[3] correctly argues that lease acquisition has generated volumes of data for evaluation, there is inadequate evidence in the literature and otherwise to suggest that lease rents approximate real estate market values of the resource.

In the absence of reliable data, local assessors must confront ever larger economic interests as the major oil, gas and diversified holding companies acquire mineral interests to hold for future production or speculative gain.[4] The ability of an assessor in a small sparsely populated county to effectively confront Exxon, Gulf or United Nuclear on valuation of reserves must certainly be viewed with skepticism.

At the state level, property taxes are no longer a significant source of revenue. Representing more than one half of total state revenues in the early part of this century the percentage composition of the property tax at the state level slid to 21 percent by 1927 and currently represents less than 2 percent of state revenues today.[5] The property tax has been largely replaced by individual income taxes as well as sales and excise taxes. The significance of this de-emphasis of the property tax at the state level is that the principal beneficiaries of a major mineral discovery may be limited to one or several counties. In this instance the aggregate welfare needs of the state as a whole are not adequately addressed.

(continued)
A = annual payments
R = 1 + r

3. Gaffney, Intergovernmental Competition for Energy Revenues: The Public Interest (Paper delivered at 70th Annual Conference of Taxation of the National Tax Association, November, 1977, p.4.

4. Chapman, The Problem of Growth and Monopoly. Testimony before Subcommittee on Energy and Environment, Committee on Interior and Insular Affairs, U.S. House of Representives, September, 1977.

5. Musgrave and Musgrave, Public Finance in Theory and Practice, McGraw Hill, 1975, p. 207.

As a result of the complexity involved with assessing the fair market value of reserves as well as the need for continuously updating the assessment rolls, the property tax is the most difficult and costly tax to administer excepting royalty taxes.[6]

Although difficult to administer properly, the property tax on mining operations is in effect, highly insensitive to business cycles. This results from the fact that rates tend to be more a function of state and local revenue requirements than actual short-term changes in the value of reserves. Hence, although property taxes may not, in effect, yield adequate economic rents to the public, the yield is predictable, facilitating budgetary and expenditure needs.

The net economic effect of imposing a property tax on a mining operation is to increase the average variable cost, shifting the time pattern of resource production to the present. However, owing to increased cost per unit of production, the level of resource recovery is reduced i.e. more mineral bearing ore will remain in the ground unexploited. The increase in per unit costs has the greatest effect on bulk mined, low-grade deposits.

The result of imposing property taxes on correctly assessed reserves of mineral deposits is to induce rapid depletion of those reserves. Hence, if it is desired to retard the time rate of physical depletion of a mineral, other taxes should be used in lieu of property taxes. If, however, it is determined that large firms are acquiring mineral properties for future speculative gain, and evidence suggests this is the case in many areas of the U.S., a substantial property tax would induce these monopolists to initiate or increase output. The effects are likely to be small however, unless the rate is high, demand is relatively elastic, the marginal costs of increasing production low and the interest rate relatively low.[7]

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6. Church and Folsom, Optimal Taxation of Natural Resources by the State of New Mexico (unpublished article on file with the Natural Resources Journal.

7. Steele, Natural Resource Taxation: Resource Allocation and Distribution Implications.

SEVERANCE (PRODUCTION) TAXES

A severance or production tax is imposed on the priviledge of extracting or severing a mineral from the earth. This type of tax is currently employed in 30 states relating to the nine minerals under consideration in this paper.

There are basically two types of severance taxes: specific and ad valorem. Specific severance taxes are imposed on the basis of physical units of production, usually tons. Ad valorem taxes are based on the dollar value of the mineral resource extracted. Value may be expressed as market value, gross yield, gross receipt or net proceeds.[1]

A specific severance tax will tend to induce a rapid depletion of high grade, low cost ore deposits, resulting in a reduced aggregate output and retarded rates of depletion. An ad valorem tax will not discriminate against lower grade deposits, as with the specific tax. although it will tend to encourage mining ores which exhibit lower unit costs.[2]

The yield of the ad valorem tax will vary with product prices while that of the specific tax will decrease with price increases and vice versa. Hence, fixed specific severance taxes will retard output during depressed periods and increase output during prosperity. Ad valorem taxes are free of this feature.[3] This results from the fact that valuation will vary with market prices whereas specific taxes, fixed per ton, will be relatively greater during a period of reduced output prices.

Severance taxes as a class are economically non-neutral with respect to the allocating of resources. The only condition under which neutrality can be attained is if the price of the resourece increases over time at the rate of interest and the marginal cost of extraction increases at the same rate. This condition is highly restrictive with the result that the mineral taxed will nearly always be at a competitive disadvantage to the extent that the tax can be shifted forward.

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1. Long, Stephen C.M., Coal Taxation in the Western States: The Need for a Regional Tax Policy, Natural Resources Journal, April, 76; 16(2) p. 427.
2. Steele, Henry, Natural Resources Taxation: Resource Allocation and Distribution Implications; in Extractive Resources and Taxation, p. 233 (M. Gaffney, ed. 1967).
3. Ibid. p. 246.

Church and Folsom estimate that severance taxes are relatively insensitive to business cycles, very low in administrative costs and very easy to shift or export out of the producing state or region.[4]

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4. Church and Folsom, Optimum Taxation of Natural Resources By the State of New Mexico, (unpublished article on file with the Natural Resources Journal).

INCOME TAXES

The third generic category of taxes imposed upon the minerals extraction industry consists of business income taxes. It is not our intent to present here a thorough discussion of corporate income taxation. We will, however, present specific tax treatment of income derived from minerals extraction industries and discuss the implications of these policies.

It has long been argued that the minerals extraction industries entail greater risk, higher uncertainty and greater capital intensity than the economy as a whole. It is asserted by McDonald and others that a flat corporation income tax, shifted forward in full, will discriminate against the risky mineral extraction industries, forcing them to increase their prices relatively more than other industries because their tax base is a larger fraction of their sales price, shifting resources towards other pursuits.[1] As a result it is argued that additional deductions from taxable income should be granted, computed as a percent of gross income, whether noted as depletion or otherwise.

Debate on the granting of special provision goes back approximately sixty years and has resulted in two special provisions to the extractive industries, depletion allowances and the expensing of intangible drilling expenses. We will discuss these in turn as well as present policies highly beneficial to the extractive industires, though not specific to them, namely the investment tax credit and depreciation allowances on capital.

Depletion Allowances

The rationale for depletion allowances, simply stated, is that if a person discovers a mineral on his property and chooses to sell that property, being taxed at ordinary income tax rates on the capital gain, he should be allowed a deduction from gross income for the declining value of the property represented by mineral extraction. Theoretically, it is asserted that this allowance returns to the mine operator his capital investment pro rata over the life of the mine.

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1. Stephen L. McDonald, Percentage Depletion and the Allocation of Resources: The Case of Oil and Gas. National Tax Journal, 14 (December 1961), pp. 323-326.

Historically, in lieu of estimating the amount of the declining value of the extracted resource, percentage depletion has been applied as a fixed percentage of gross income. However, irrespective of whether percentage depletion is applicable, cost depletion must also be computed. The taxpayer must use whichever results in the larger allowance.

Using the cost depletion approach a ratio of units of production (tons of ore, barrels of oil) is applied to the cost of the property, adjusted for any previous depletion deduction. The ratio is units produced and sold during the year divided by the estimated units to be produced over the remaining life (reserves) plus the number of units sold. When the basis reaches zero, cost depletion ceases.[3] This method of calculating depletion reflects the value of an asset and is generally used by firms for financial accounting and income reporting.

Percentage depletion yields a deduction completely divorced from the idea of cost. Depending on which extractive industry, a specific rate, ranging from 22 to 5 percent, is applied to gross income. The result is deductable against current income up to 50 percent of taxable income from a particular property.

The rationale and policies relating to the depletion allowance have been criticized from its inception. With the passage of the Tax Reduction Act of 1975, the 22 percent depletion allowance was repealed for petroleum except for certain natural gas wells and a limited number of independent domestic producers. The allowance remains intact for the minerals considered herein at variable rates within the range cited above.

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3. Silvio Flaim, Federal Income Taxation of the United States Petroleum Industry and the Depletion of Domestic Reserves. Unpublished thesis , Cornell University, Department of Agricultural Economics, January, 1978, p.25.
4. Ibid. p. 26.

Expensing Intangible Drilling Costs

In a typical oil or gas drilling operation, between 75 and 90 percent of total costs go for wages, salaries, fuel, machine and tool rental and other expenditures with no anticipated salvage value. In most industries these costs would be amortized over the useful life of the property. In the minerals extractions industries, primarily oil and gas, these "intangible drilling expenses" may be recaptured or deducted in the current year. The result of this very rapid depreciation is a very large one year deduction against current income from a variety of sources.

For may years the intangible drilling cost expensing and depletion allowances have worked, de facto, in tandem. Taxes on other income are offset by intangible drilling costs regardless of whether the well drilled is producing, and since percentage depletion is not limited to cost of drilling if drilling is successful, the intangible are written off twice, once as intangible drilling costs and again through percentage depletion which is not reduced because this part of costs has previously been written off.[5]

Intangible drilling costs incurred after December 31, 1975 are now, however, subject to recapture rules by the Tax Reform Act of 1976. When the producing property is disposed of after the above date, ordinary income is recaptured.[6] Although the tax policies often have been used in combination, the expensing of intangible has had a relatively minor impact on effective tax rates, generally accounting for only one percentage point reduction for major oil and gas companies.[7]

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5. John M. Blair, The Control of Oil, Pantheon, 1976, p.193.
6. Flaim, Supra., p.29.
7. U.S. Congress, Senate, Permanent Subcommittee on Investigation of the Committee on Government Operations, "Analysis of Tax Data of Seven Major Oil Companies," by J. Gravelle, p.7.

Investment Tax Credit

The investment tax credit is a fiscal stabilization instrument first used by Congress in 1962. In 1969 it was discontinued only to be reinstated in 1971. It is a one time credit against tax liability for a specified percentage of the value of fixed capital investment. The percentage rate was set at 10 percent by the Tax Reduction Act of 1975. The credit may not exceed the first $25,000 of tax liability plus one half of the remaining tax liability. Unused credit may be carried back three years, and, if not exhausted, forward through the succeeding seven years.[8]

The investment tax credit tends to shift resources into industries with high levels of capital investment. This allowance to recapture investment expenditures is of particular benefit to the minerals extraction industries as a result of their capital intensity vis-a-vis other manufacturing sectors.

Depreciation Allowances

As in the case of the investment tax credit minerals extraction industries are particularly concerned with depreciation allowances on capital due to the capital intensive nature of mining operations.

Depreciation expenses are allowed for the cost of capital held in the production of income and will yield a benefit to the taxpayer when allowances under tax law exceed the physical consumption of the capital asset.

Depreciation is applicable to the physical property used in the mining of natural resources deposits and is allocated to the owner or lessee commensurate with their respective interests. The taxpayer may recover cost at a rate established by the rate at which the resource is being depleted or by a reasonable rate based upon the anticipated economic life of the plant and equipment.

There are three methods commonly used for calculating depreciation allowances on capital:

1. Straight Line
2. Declining Balance
3. Sum of the years digits

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8. Flaim, Supra, p. 17.

The straight line method is computed by applying a depreciation rate (useful life of the asset divided into one) to the cost of the asset less salvage value. The allowance is equal for each period.

The declining balance method uses a fixed rate which may be twice as high as the straight line rate applied to a balance which continually declines by the cumulative total of the previous year's allowance. Salvage value is not computed with this method and is also not considered under the straight line method if it does not exceed ten percent of the original cost.

Under the sum of the year's digits method the annual allowance is computed by applying a variable fraction to the original cost of capital less salvage value. The denominator of the fraction is the sum of the number representing successive years of the life of the capital and the numerator is the number of years remaining in the useful life of the capital.

The sum of the years and declining balance may not exceed twice the straight line rate and one and one-half times the value of used capital. Table A presents how each of the methods is applied to a $10,000 piece of capital. Note that the sum of the year's digits methods generates the highest value of allowances in the early years followed by declining balance and straight line.

Depreciation allowance for the first two-thirds of the asset's life may not exceed accumulated allowance based on the double declining balance method (double the rate of straight line applied to a declining balance).

A depreciation allowance may not be based on expenditures which the taxpayer has deducted. Also land may not be depreciated or the value of ores and minerals which are returned to the taxpayer through depletion.

When mining operations are abandoned a deduction is allowed representing the difference between unrecovered capital cost and salvage value.

The only recent change in federal income depreciation rules is the allowance for a 60-month amortization on pollution abatement capital. This allows firms to write off the full value of pollution equipment in five years.

The major effect of these special tax provisions is at the federal level, primarily as a result of the magnitude of federal versus state income taxes. Many of these same provisions are available to the taxpayer at the state level. For specific reference to these state-by-state provisions see Table 2.

As the merits of the corporate income tax as an instrument for advancing equity and resource management goals we have substantial doubts. The work of Krzyzaniak and Musgrave[9] has demonstrated that corporations are able, even in the short run, to shift the corporate income tax 100 percent and, hence, the burden of the tax is not upon corporate capital but upon consumers. In addition there is the inherent discrimination between corporate and non-corporate sectors. Even if the tax is not shifted, it acts only as a blunt instrument, failing to discriminate between profits of competitive and monopolistic corporations.[10] On both equity and efficiency grounds there is a strong case for shifting to a much greater reliance upon personal income taxation.

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9. Marian A. Krzyzaniak and Richard A. Musgrave, The Shifting of the Corporation Income Tax, Baltimore, Johns Hopkins Press, 1963.
10. Steele, Supra, p.254.

TABLE A

Comparison of Depreciation Methods: Straight Line, Declining Balance, and Sum-of-the Year's-Digits

Year	Straight-Line		200 Percent Declining-Balance		Sum-of-the-Year's-Digits	
	Annual Charge	Cumulative Charges	Annual Charge	Cumulative Charges	Annual Charge	Cumulative Charges
1	$1000	$1000	$2000	$2000	$1818	$1818
2	1000	2000	1600	3600	1636	3454
3	1000	3000	1280	4880	1455	4909
4	1000	4000	1024	5904	1273	6182
5	1000	5000	819	6723	1091	7273
6	1000	6000	655	7378	909	8182
7	1000	7000	655[a]	8033	727	8909
8	1000	8000	655	8688	545	9454
9	1000	9000	655	9343	364	9818
10	1000	10000	655	9998	182	10000

Source: William D. Andrews, Federal Income Taxation (Boston: Little, Brown and Company, 1969), p. 338.

[a]Switch to straight-line method for years 7-10 authorized so that the total depreciation will equal the cost of the asset.

CONCLUSION

Tax structures in the minerals extraction field are undergoing a thorough re-examination by many producing states. In some instances these states are banding together to avoid tax competition and maximize resource rents to the public.

At the state level the two major tax instruments are the severance tax, both specific and ad valorem, and the property tax. In addition, several states impose variations of value added net income and royalty taxes.

Severance taxes are relatively easy to administer and allow for the sharing of revenues with all interests within the state. They will, however, reduce the rate of recovery, raise the cut-off level of the mining operation and fail to tax the pure rents derived from speculative holding of mineral lands. Ad valorem severance taxes are superior to specific severance taxes in that they do not discriminate against low grade ore deposits.

The major difficulty with ad valorem property taxation of mineral resources is the accuracy of reserve assessment. While valuation of surface improvements and operating machinery is relatively straightforward, the unknown character and lack of public information make accurate assessment of reserves nearly impossible. This problem makes the property tax a difficult and expensive tax to administer.

Under the property tax the resource will be more rapidly exploited, although this will tend to encourage those who are holding minerals for future capital gain to develop the resource.

Substantial income tax benefits are available to the minerals extraction industry in the form of depletion allowances, expensing of intangible costs, the investment tax credit and depreciation allowances. The benefits are particularly valuable to the minerals extraction industry because of their capital intensity. In 1975 the percentage depletion allowance was repealed for all petroleum companies except independents and domestic producers.

In summary, although the tax structure relating to the minerals extraction industry is complex and, in some cases, recently revised, the burden of taxation, particularly at the state level, does not appear to substantially affect production and pricing decisions. An approach which may yield equitable results without impinging on industry efficiency is a combination of ad valorem property taxes on surface value of a mining claim either a graduated net profits tax or a net proceeds tax with appropriate deductions from gross proceeds.

TABLES

Table 1 - Reference Table to Federal and State Tax Policy for the Minerals Extraction Industry

Table 2 - States' Taxes Table*

Table 3 - Minerals Reference Table

Table 4 - Reference Table to Federal and State Depletion Allowance Policy

*Includes Federal Taxes Table.

INTRODUCTION TO TABLES

The following tables provide a reference guide to Federal and State taxation policy on the minerals extraction industry. They do not include every tax allowance available under existing laws; however, they do include code section numbers for deductions for depreciation and depletion against personal and coporate income taxes; credits, deductions and exemptions against severance taxes and exemptions from ad valorem property taxes. Included, also, are severance tax rates and precentage depletion rates insofar as they affect oil, natural gas, uranium, coal, phosphate rock, platinum, gold, silver and iron ore. The Minerals Reference Table, allows for the reader to compare severance tax rates in major producing states of the minerals mentioned in the previous sentence (except platinum)[1].

The reader will notice that for many states, taxable income is defined as either Federal adjusted gross income or Federal taxable income. Federal adjusted gross income in the Internal Revenue Code means, in the case of individuals, gross income minus certain deductions, among which are included deductions for depreciation ~~and depletion~~ and depletion (Section 62). Federal taxable income means, in the case of corporations, gross income minus certain deductions among which are also included the deductions for depreciation and depletion (Section 63). As a result, a state which bases its taxable income on either Federal adjusted gross income or Federal taxable income, by implication, has deductions for depreciation, depletion and any other deduction applicable to Sections 62 and 63 of the Internal Revenue Code.

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[1] Current mine production of platinum satisfies less than 1% of domestic demand.

REFERENCE TABLE TO FEDERAL AND STATE TAX POLICY FOR THE MINERALS EXTRACTION INDUSTRY

REFERENCE TABLE TO FEDERAL AND STATE POLICY FOR THE MINERALS EXTRACTION INDUSTRY

	Personal Income Tax Deduction. Includes Depletion and Depreciation	Corporate Income Tax Deduction. Includes Depletion and Depreciation	Severance Taxes	Special Fees, for Permits, Licenses, etc.	Ad Valorem Propert Tax Exemptions
Federal	X	X	---	---	---
Alabama	X	X	X	---	X
Alaska	X	X	X	---	---
Arizona	---	X	---	---	---
Arkansas	---	X	X	X	---
California	X	X	X	---	---
Colorado	X	X	X	X	---
Connecticut	NA	X	---	---	---
Delaware	X	X	---	---	---
Florida	NA	X	X	X	---
Georgia	X	X	X	X	---
Hawaii	X	X	---	X	---
Idaho	X	X	X	X	---
Illinois	X	X	---	X	X

	Personal Income Tax Deduction. Includes Depletion and Depreciation	Corporate Income Tax Deduction. Includes Depletion and Depreciation	Severance Taxes	Special Fees, for Permits, Licenses, etc.	Al Valorem Propert Tax Exemptions
New Hampshire	X[3,4]	---	---	---	---
New Jersey	X[5]	---	---	---	---
New Mexico	X	X	X	---	X
New York	X	X	---	X	---
North Carolina	X	X	X	X	---
North Dakota	X	X	X	---	X
Ohio	X	---	X	X	---
Oklahoma	X	X	---	---	X
Oregon	X	X[6]	---	X	---
Pennsylvania	NA	X	---	X	---
Rhode Island	X	X[7]	---	---	---
South Carolina	X	X	---	---	---
South Dakota	NA	NA	X	---	---
Tennessee	---[4]	X	X	X	---
Texas	NA	NA	X	X	---

	Personal Income Tax Deduction. Includes Depletion and Depreciation	Corporate Income Tax Deduction. Includes Depletion and Depreciation	Severance Taxes	Special Fees, for Permits, Licenses, etc.	Ad Valorem Prope Tax Exemptions
Indiana	X	X	X	---	---
Iowa	X	X	---	X	---
Kansas	X	X	X	X	---
Kentucky	X	X	X	X	---
Louisiana	X	X	X	---	---
Maine	X	X	---	---	X
Maryland	X	X	X	X	---
Massachusetts	---	X	---	---	---
Michigan	X	X[1]	X	X	X
Minnesota	X	X	X	---	---
Mississippi	X	X	X	X	X
Missouri	X	X	---	X	---
Montana	X	X[2]	X	---	X
Nebraska	X	X	X	X	---
Nevada	NA	NA	X	X	---

	Personal Income Tax Deduction. Includes Depletion and Depreciation	Corporate Income Tax Deduction. Includes Depletion and Depreciation	Severance Taxes	Special Fees, for Permits, Licenses, etc.	Ad Valorem Proper Tax Exemptions
Utah	X	X[8]	X	---	---
Vermont	X	X	---	---	X
Virginia	X	X	---	X	---
Washington	NA	NA	---	X	---
West Virginia	X	X	X	X	---
Wisconsin	X	X	X	---	X
Wyoming	NA	NA	X	---	X

FOOTNOTES

1. Single Business Tax is not an income - See Michigan in States' Taxes Table.

2. Corporation License Tax - See Montana in States' Taxes Table.

3. Commuter's Income Tax - See New Hampshire in States' Taxes Table.

4. Personal Income Tax refers to dividends and interest only.

5. Commuter's Income Tax - See New Jersey in States' Taxes Table.

6. Corporation Excise Tax and Corporation Income Tax - See Oregon in States' Taxes Table.

7. Business Corporation Tax - See Rhode Island in States' Taxes Table.

8. Franchise and Privilege Taxes - See Utah in States' Taxes Table.

STATES' TAXES TABLE*

*Includes Federal Taxes Table.

FEDERAL

Personal and Corporate Income Taxes

Deductions are allowed for depreciation (Section 167), depletion (Section 611), expenditures paid or incurred during the taxable year for the development of a mine or other natural deposit (Section 616), and for certain mining exploration expenditures (Section 617).

Depreciation: The use of certain methods and rates are provided under Subsection 167 (B), et al.

Depletion: The deduction for depletion may be computed on the basis of property (Section 612). Also, percentage depletion is allowed under Sections 613 and 613A.

Percentage Depletion Rates (Subsection 613 (B)):

Uranium	22%
Platinum and platinum group metals	22%
Gold	15%
Silver	15%
Oil Shale	15%
Oil Shale used or sold for use in the manufacture of sewer pipe, brick or clay, and slate used or sold for use as sintered or burned lightweight aggregates	7½%
Coal	10%
Phosphate Rock	14%

Percentage depletion rates (Section 613A):

Subsection A: Except as otherwise provided in this section, the allowance for depletion under Section 611 with respect to any oil or gas well shall be computed without regard to Section 613.

Subsection B: Exemption for certain domestic gas wells. The allowance for depletion under Section 611 shall be computed in accordance with Section 613 with respect to:

a. Regulated natural gas (defined in Subsection (b)(2)(A)).

b. Natural gas sold under a fixed contract (defined in Subsection (b)(2)(B)), and

c. Any geothermal deposit in the United States or in a possession of the United States which is determined to be a gas well within the meaning of Subsection 613 (b)(1)(A).

The allowance depletion rate for the above exemption is 22%.

Subsection C:

I. Exemption for independent producers and royalty owners: Except as provided in Subsection D, the allowance for depletion under Section 611 shall be computed in accordance with Section 613 with respect to-

A. So much of the taxpayer's average daily production of domestic crude oil as does not exceed the taxpayer's depletable (defined in Subsection (c)(2)) oil quantity (see Table 1) and;

B. So much of the taxpayer's average daily production (defined in Subsection (c)(2)) of domestic natural gas does not exceed the taxpayer's depletable natural gas quantity (see Table 1).

The applicable percentage is determined in accordance with Table 2.

Note: Average daily production, does not take into account any production of crude oil or natural gas resulting from secondary or tertiary processes (see Section II below).

Table 1

Depletable oil quantity

A. The taxpayer's depletable oil shall be equal to-

i. The tentative quantity determined under the table contained in subparagraph B, reduced (but not below zero) by

ii. The taxpayer's average daily secondary or tertiary production for the taxable year.

B. Phase-out table

For purposes of subparagraph A-

In the case of production during the calendar year:	The tentative quantity in barrels is:
1975	2,000
1976	1,800
1977	1,600
1978	1,400
1979	1,200
1980 and thereafter	1,000

Daily depletable natural gas quantity-

The depletable natural gas quantity of any taxpayer for any taxable year shall be equal to 6,000 cubic feet multiplied by the number of barrels of the taxpayer's depletable oil quantity to which the taxpayer elects to have this paragraphy apply. The taxpayer's depletable oil quantity for any taxable year shall be reduced by the number of barrels with respect to which an election under this paragraph applies.

Such election shall be made at such time and in such manner as the Secretary or his delegate shall by regulations prescribe.

Table 2

In the case of production during the calendar year:	The applicable percentage is:
1975	22
1976	22
1977	22
1978	22
1979	22
1980	22
1981	20
1982	18
1983	16
1984 and thereafter	15

II. Oil and natural gas resulting from secondary or tertiary processes: Except as provied in Number 4 the allowance for depletion under Section 611 shall be computed in accordance with Section 613 with respect to-

A. So much of the taxpayer's average daily secondary or tertiary production (defined in Subsection (c)(6)(B)) of domestic crude oil as does not exceed the taxpayer's depletable oil quantity (determined with regard to Table 1 (A)(ii); and

B. So much of the taxpayer's average daily secondary or tertiary production of domestic natural gas as does not exceed the taxpayer's depletable natural gas quantity (determined without regard to Table 1 (A)(ii));

and 22% shall be deemed to be specified in Subsection B of Section 613 for purposes of Subsection A of that section.

Note: The above paragraph shall not apply after December 31, 1983 (Subsection (c)(6)(C)). See Subsection (c)(7) for special rules concerning 1) the production of crude oil in excess of depletable oil quantity, 2) the production of natural gas in excess of depletable natural gas quantity, 3) taxable income from the property, 4) partnerships, and 5) secondary or tertiary production. Also, see Subsection D for special limitations on application of Subsection C.

ALABAMA

Personal Income Tax

Deductions for depreciation and depletion under Subsections 40-18-15 (8) and (9), respectively.

Corporate Income Tax

Deductions are allowable for depreciation and depletion under income taxes Subsections 40-18-35 (6) and (7), respectively.

Basis for depletion (Section 40-18-16)

1. General rule - to be determined by the Department of Revenue.

2. Discovery value in the case of mines, oil and gas wells.

3. Amount: Oil and gas wells - 27½%, not to exceed 50% of the net income of the taxpayer.

Severance Taxes

1. Iron Ore Mining License or Privilege Tax (Section 40-12-128): Three cents ($.03) per ton at 2,240 pounds.

2. Coal and Lignite Severance Tax (Section 40-13-31): Twenty cents ($.20) per ton of 2,000 pounds of coal or lignite severed.

3. Oil and Gas Production Tax (Section 40-20-2): Four percent (4%) of the gross value of the oil or gas at the point of production.

4. Coal Severance Tax (Section 40-13-2): $0.135 per ton of coal severed.

5. Conservation Tax on Oil and Gas (Section 9-17-25): Two percent (2%) of the gross value of the oil or gas at the point of production.

Property Taxes

Exemptions (Section 40-20-12)

1. All oil or gas produced; all leases in production including mineral rights in producing properties, and all oil or gas under the ground on producing properties within the State of Alabama.

2. The area of a lease or leases, including oil and gas rights considered to be in production, or the area of any other producing property considered to be in production; shall include an oil or gas drilling unit as established by the State Oil and Gas Board of Alabama.

ALASKA

Income Taxes in General (Section 43.20.021)

Chapter One of Subtitle A, of the 1954 Internal Revenue Code adopted by reference as part of Chapter 20, "Alaska Net Income Tax Act."

Mining License Tax

Based upon the net income of the taxpayer; rate (Subsection 43.65.010 (C)):

Over $40,000 and not over $50,000 - 3%

Over $50,000 and not over $100,000 - $1,500 plus 5% of the excess over $50,000.

Over $100,000 - $4,000 plus 7% of the excess over $100,000.

Allowance for depletion against gross income (Subsection E):

Coal - 10% and metal metal mines - 15%; the allowance for depletion may not exceed 50% of the net income of the taxpayer (Subsection F).

Exemption:

All new mining operations are exempt from the Mining License Tax for three and one-half years after production begins (the exemption does include the mining of sand and gravel (Subsection A)).

Severance Taxes

1. Oil Production Tax (Section 43.55.011)[1]: The tax levied upon the producer is equal to either the percentage-of-value amount (12.25% of the gross value at the point of production) or the cents-per-barrel amount (60¢ per barrel of taxable old crude oil and 80¢ per barrel for all other taxable oil), whichever is greater, multiplied by the economic limit factor. (See Section 43.55.013.) The economic limit factor for oil production of a lease or property other than old crude oil equals:

$$(1-(PEL/TP))\ \exp\ ((460 \times WD)/PEL)$$

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[1] State Tax Guide, CCH, paragraph 45-220.

where: PEL = the monthly production rate at the economic limit (presumed to be 300 barrels times the number of well days for the lease or property during the month for which the tax is to be paid);

TP = total production during the month for which the tax is to be paid;

WD = the total number of well days in the month for which the tax is to be paid; and

where "exp" indicates that the expression following it is an exponent.

The per barrel amount applied to oil of 27° API gravity. For each degree of API gravity of less than 27° the per barrel amount shall be reduced by $.005 and for each degree of API gravity greater than 27° the per barrel amount shall be increased by $.005, except that oil above 40° API gravity shall be taxed as 40° oil.

2. Gas Production Tax (Section 43.55.016)[1]: The tax levied upon the producer is equal to either the percentage-of-value amount (10% of the gross value at the point of production) or the cents-per-Mcf ($.064 per thousand cubic feet of taxable gas produced), whichever is greater, multiplied by the economic limit factor (one minus the ratio of the monthly production rate at the economic limit to the production during the month for which tax is to be paid. See Section 43.55.013.) Before February 15 of each year, or within six months after commencement of production the Department of Revenue will notify the producer of gas of the monthly production rate at the economic limit for each lease or property in the state for that year.

Note: A credit against the oil and gas gross production taxes is allowed monthly for the early development incentive credit accrued for that lease or property. The credit allowed may not exceed 50% of the gross production taxes levied for that lease or property (Section 43.55.018).

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[1] ibid.

3. Oil and Gas Regulation and Conservation Tax (Section 43.57.010): There is levied upon the producer of oil a tax of one-eighth of one cent (1/8¢) on each barrel of oil removed or sold from each lease or property in Alaska, less any part the ownership or right to which is exempt from taxation.

ARIZONA

Corporate Income Taxes

Deductions are provided for depreciation (Section 43-123.14), depletion (Section 43-123.15) and exploration expenses (Section 43-123.33).

Basis for depletion (Subsection 43-154 B)

Under Subsection (B)(2) the basis for depletion is the discovery value in the case of mines. Percentage depletion is given in Subsections (B)(3) and (B)(4).

Percentage depletion; oil and gas wells; 27½% of the gross income from property during the taxable year.

Percentage depletion; mines:

Coal	10%
Phosphate rock	15%
Metal mines	15%

The allowance for depletion under Subsections 2, 3 and 4, may not exceed 50% of the net income of the taxpayer (computed without allowance for depletion) from the property.

ARKANSAS

Corporate Income Taxes

Deductions (Section 84-2016) are provided for depreciation (Subsection F) and depletion (Subsection G).

Basis for depletion of oil or mineral deposits:

> In the case of oil and gas wells depletion will be allowed in an amount not to exceed twenty-five percent (25%) of the gross income from the property during the income year; in the case of mineral deposits which have been discovered through exploitation by the owners or lessees, depletion will be allowed in an amount not to exceed fifteen percent (15%) of the gross income from the property during the income year; provided however, such deduction shall not exceed fifty percent (50%) of the net income of the taxpayer (computed without allowance for depletion) from the property. In no case shall the deduction under this section be less than it would have been if computed on the basis of the property.

Severance Taxes (Section 2102)

1. Coal, lignite, and iron ore, two cents ($.02) per ton of 2,000 pounds (Subsection B).

2. On Natural gas, three-tenths of one cent (3/10 of 1¢) per 1,000 cubic feet, and on oil[1], five percent (5%) of the market value at time and point of severance; provided, however, that whenever the production of oil, from a well which is measured separately, or from a group of wells which is measured separately, averages 10 barrels or less per well per day during any calendar month the privilege or license tax on oil[1] produced from that well or group of wells during that month shall be computed at the rate of four percent (4%) of the market value at time and point of severance. (Subsection E). A credit on the severance tax for oil producers (Section 84-2114) and gas producers (Section 84-2121) is given for the disposal of salt water (Section 84-2113).

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[1]Plus an additional 5 mills per barrel (Act 310, Laws 1977). Source, State Tax Guide, CCH, paragraph 45-246.

Permit Fees

Notice of intention to drill well, plugging of abandoned well; fee (Section 53-125):

Notice to drill: $50.00 for each well.

Notice to abandon well: $15.00 per well abandoned.

CALIFORNIA

Personal Income Tax from "Revenue and Taxation"

Deductions are provided for depreciation (Section 17209), depletion (Section 17681), and for expenditures paid or incurred in the exploration for ore or minerals (Sections 17689 and 17689.5).

Depletion

The deduction for depletion may be computed on the basis of property (Section 17682). Also, percentage depletion is allowed under Sections 17686, 17686.5 and 17687.

From Section 17686

A) In the case of oil and gas wells the allowance for depletion under Section 17681 shall be 22% of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect of the property. The allowance shall not exceed 50% of the taxable income of the taxpayer (computed without allowance for depletion) from the property, except that in no case shall the depletion allowance be less than it would be if computed without reference to this section. For purposes of the preceding sentence, the allowable deductions taken into account with respect to expenses of oil and gas wells in computing the taxable income from the property shall be decreased by an amount equal to so much of any gain which (a) is treated under Section 18211, (relating to gain from disposition of certain depreciable property) as gain from the sale or exchange of property which is neither a capital asset nor property described in Sections 18181 and 18182, and (b) is properly allocable to the property.

B) Where the total accumulated amount of deduction allowed or allowable for depletion exceeds an amount equal to the adjusted cost of the taxpayer's interest in any property which is subject to recovery through depletion under this part, percentage depletion shall be allowed in respect to such interests in such property, subject to the limitations and adjustments of subdivisions C and D. (Refer to California Code for Subdivision D).

C) Where the total depletion allowance for all properties in subdivision B exceeds one million five hundred thousand dollars, ($1,500,000), the allowance in subdivision B shall be reduced by 125% of the excess.

From Section 17686.5

The total accumulated amount of deduction allowed or allowable for depletion, with respect to oil and gas wells, shall be limited to an amount equal to the adjusted cost of the taxpayer's interest in such property which is subject to recovery through depletion under this part, except as provided in Section 17686.

From Section 17687

Rates for particular mines:

Coal - 10% (Subsection B).

Metal mines and phosphate rock - 15% (Subsection C): The allowance shall not exceed 50% of the taxable income of the taxpayer (computed without allowance for depletion) from the property except in no case shall the depletion allowance under Section 17681 be less than it would be if computed without reference to this section.

Corporate Income Tax from "Revenue and Taxation"

Deductions are provided for depreciation (Section 24349), depletion (Section 24835), and for expenditures paid or incurred in the exploration for ore or minerals (Sections 24837 and 24837.5)

Depletion

The deduction for depletion may be computed on the basis of property (Section 24831). Also, percentage depletion is allowed under Sections 24832 (see Section 17686 above), 24835.5 (see Section 17686.5 above), and 24833.

From Section 24833

Rates for particular mines:

Coal - 10% (Subsection B).

Metal mines and phosphate rock - 15% (Sbusection C): Such allowance shall not exceed 50% of the net income of the taxpayer (computed without allowance for depletion) from the property except that in no case shall the depletion allowance under Section 24835 be less than it would be if computed without reference to this section.

Severance Tax

Oil and Gas Production Tax[1] (from Public Resources Code): Every person operating an oil well pays an annual charge based on the number of barrels produced (Section 3402) and operators of gas wells pay at rate per 1,000 cubic feet of gas produced other than gas used in producing operations or injected and withdrawn from storage (Section 3403). A uniform rate of charges is to be determined annually by the Department of Conservation (Section 3412). This tax is in addition to all other taxes assessed (Section 3404).

[1] From State Tax Guide, CCH, paragraph 45-261.

COLORADO

Personal Income Tax

Colorado adjusted gross income of a resident individual (Subsection 39-22-110 (1)):

> The Colorado adjusted gross income of a resident individual means his Federal adjusted gross income for the taxable year, with modifications. There shall be subtracted from Federal adjusted gross income an amount equal to the difference between the depletion allowance permitted under the Internal Revenue Code for oil shale and an amount which would be permitted us the depletion for oil shale if:
>
> > The percentage depletion rate were twenty-seven and one-half percent; and the crushing, retorting, condensing, and other processes by which oil, gas, or both oil and gas are removed from oil shale, were deemed to be treatment processes considered as mining (Subsection 39-22-110 (3)(h)).

Corporate Income Tax

Net income of corporations (Subsection 39-22-304 (1)):

> The net income of a corporation means the corporation's Federal taxable income, as defined in the Internal Revenue Code, for the taxable year, with modifications. There shall be subtracted from Federal taxable income the modification enumerated in Subsection 39-22-110 (h). (Subsection 39-22-304 (3)).

Severance Taxes[1]

1. Metallic Minerals: A tax is levied against every mining operation engaged in the severance of metallic minerals and is based upon the gross income (the value of ore immediately after its removal from the mine, not including any value added subsequent to mining by any treatment processes, but including income from the extraction or processing of ores or minerals from mine waste or residue of previously processed ores) of such mining operation.

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[1] Severance Taxes, section 1 through 4, from State Tax Guide, CCH, paragraph 45-276.

The tax is imposed at 2.25% of gross income exceeding $11 million. A credit is allowed equal to all ad valorem taxes assessed or paid on producing mines, but the credit cannot exceed 50% of the tax (Sections 39-29-102 and 39-29-103).

2. Oil and Gas: The gross income of crude oil, natural gas, oil and gas severed in this state is subject to a tax at the following rates:

Gross Income:	Rate of Tax
Under $25,000	2%
$25,000 and under $100,000	3%
$100,000 and under $300,000	4%
$300,000 and over	5%

"Gross Income" means the market value at the wellhead as determined by the actual transaction price or the value of the severer's income as computed for Colorado and Federal income tax depletion purposes, whichever is higher.

Any wells that produce ten barrels per day or less of crude oil from the average of all producing days during the tax year are exempt from the tax. A credit is allowed against 87½% of all ad valorem taxes assessed or paid during the tax year on leaseholds and leasehold interests and royalties and royalty interests, excluding ad valorem taxes upon equipment and facilities (Sections 39-29-102 and 39-29-105).

3. Coal: The severance of all coal in Colorado is subject to a tax of 60¢ per ton. For every three points of change in the wholesale price index for all commodities, the tax rate will be increased or decreased 1% (Section 39-39-106). No tax is imposed on the first 8,000 tons of coal produced in each quarter of the tax year. A credit of 50% of the tax for coal produced from underground mines and an additional credit of 50% of the tax for the production of lignitic coal are allowed.

4. Oil Shale: The gross proceeds from each commercial oil shale facility are taxed at the rate of 4%. The tax is applicable 90 days after the facility reaches a daily average of 50% of its design capacity, as follows:

Year	Fraction of Tax
First year	1/4
Second year	1/2
Third year	3/4
Fourth and each succeeding year	Entire rate

"Gross proceeds" means the value of the oil shale at the point of severance. The value is determined by deducting from the first sales price of the shale oil all costs for equipment and machinery; fragmenting, crushing, conveying, beneficiating, pyrolysis, retorting, refining and transporting; and royalty payments.

The production of the first 15,000 tons per day of oil shale or 10,000 barrels per day of shale oil, whichever is greater, is exempt. A credit of 25% of the tax is allowed with respect to shale oil produced from underground in situ methods (Sections 39-29-102 and 39-29-107).

5. Oil and Gas Conservation Tax: Every producer of oil or gas is required to file a report on or before the 20th day of January, April, July and October each year with the Oil and Gas Conservation Commission and at such time pay to the Department of Revenue, in addition to the $75 filing fee required for a drilling permit (Section 34-60-106), a tax of not to exceed 1 mill per $1 of market value at the well of the oil or gas. If the tax is $10 or less, payment may be deferred until the tax exceeds $10 but in no event may any payment be deferred for more than one calendar year. Purchasers are liable for the tax unless it has been paid (S.B. 113, Laws 1977; Section 34-60-122). Beginning April 1, 1978, the tax shall be 6/10ths of a mill (Rule 308, Oil and Gas Conservation Commission, revised December 21, 1977).[1]

Permit Fees

1. Coal Mine Licenses (Subsection 34-23-101 (1)): It is unlawful for any owner to operate or permit to be operated on real estate owned by him any coal mine in the state of Colorado unless the chief inspector of coal mines shall have issued a license as provided in this section, licensing such coal mine to be operated for the then calendar year (Subsection A).

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[1] From State Tax Guide, CCH, paragraph 45-280.

Other Fees

Bureau of Mines Inspection Fees (See Section 34-40-120).

CONNECTICUT

Corporation Business Tax

Deduction from gross income (Section 12-217):

> In arriving at net income, whether or not the taxpayer is taxable under the Federal corporation net income law, there shall be deducted from gross income all items deductible under the Federal net income tax law, effective and in force on the last day of the income year, with modifications.

DELAWARE

Personal Income Tax

Taxable income (Title 30, Section 1105):

> The entire taxable income of a resident of Delaware is his Federal adjusted gross income as defined in the laws of the United States, with modifications. There shall be added to Federal adjusted gross income, any deduction for depletion of oil and gas wells allowed under Section 611 of the Federal Internal Revenue Code of 1954 to the extent such deduction is determined by reference to Section 613 of the Federal Internal Revenue Code (relating to percentage depletion) (Subsection 1106 (A)(2)).

Corporate Income Taxes

Computation of taxable income (Title 30, Subsection 1903A):

> The "entire net income" of a corporation for any income year means the amount of its Federal taxable income for such year as computed for purposes of the Federal income tax increase by any interest income (including discount) on obligations issued by states of the United States or political subdivisions thereof other than Delaware and its subdivisions, with modifications. Eliminate any deduction allowed for depletion of oil and gas wells under Section 611 of the Federal Internal Revenue Code, to the extent such deduction is determined by reference to Section 613 of the Federal Internal Revenue Code (relating to percentage depletion)(Subsection S).

FLORIDA

Corporate Income Taxes

Taxable income (Subsection 220.12 (2)):

> Taxable income for the taxable year means taxable income as defined in Section 63 of the Internal Revenue Code, with modifications.

Severance Taxes

1. Tax on production of oil and gas. Levy of oil and gas tax and amount thereof (Subsection 211.02 (1)): The amount of the tax shall be measured by the value of the oil produced and saved, and by the value of the gas producted and sold, or used and is levied and assessed at the following rates:

   For oil, 8% of the gross value thereof at the point of production; and for gas, 5% of the gross value thereof at the point of production. It is the duty of the Department of Revenue to collect, in addition to the excise (production) tax, an additional amount equal to twelve and one-half percent of the gross value of escaped oil (Subsection 211.04 (1)). All wells producing less than 100 barrels of oil per day or oil produced by tertiary methods shall be taxed at the rate of 5% of the gross value at the point of production (Chapter 77-408, Section 2, Laws).

2. Tax on severance of solid minerals. Rate (Section 211.31): An excise tax upon every person engaging in the business of severing solid minerals is imposed at a rate of 5% of the value (means the sales price or true market price of the solid mineral at the point of severance; for further details, see Subsection 211.30 (5)) at the point of severance at the identifiable solid minerals severed (Subsection 1). The excise tax upon persons engaged in the business of severing phosphate rock shall be 10% of the value at the point of severance of the identifiable phosphate rock severed (Subsection 3). A credit for ad valorem taxes is provided for under Section 211.32; however, in no event may the ad valorem tax credit exceed 20% of the tax on severance at solid miners due (Subsection 17 (A)). (See Section 211.32 for further details.)

3. Florida Coastal Protection Fund Tax on Terminal Facilities: The tax rate is 2¢ per barrel of liquid pollutants transferred until the balance in the Florida Coastal Protection Fund equals or exceeds $35,000,000. No tax is levied the following fiscal year unless the fund balance falls to or below $30,000,000, in which case the 2¢ per barrel tax is reimposed until the fund again reaches $35,000,000. A special rate of up to 10¢ per barrel applies if a discharge of catastrophic proportions occurs or, if the fund is unable to pay any proven claims against it at the end of the fiscal year, a tax of 5¢ per barrel is imposed the following fiscal year until the outstanding claims are paid (Section 376.11).[1,2]

Permit Fees

Oil and Gas Resources Permit Fees to drill and abandon wells and dry holes (Section 377.24):

> Before any well in search of oil or gas shall be drilled, the person desiring to drill the same shall notify the Division of Interior Resources at the Department of Natural Resources upon such form as it may prescribe and shall pay a fee of fifty dollars for such well (Subsection 1). A fee of fifteen dollars must accompany each notice to abandon wells and dry holes (Subsection 3).

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[1]The definition of "Terminal Facilities" includes any waterfront or offshore facility of any kind, which facility and appurtenances are used or capable of being used for the purpose of drilling (Subsection 376.031 (9)).

[2]From State Tax Guide, CCH, paragraph 30-340.

GEORGIA

Personal Income Tax

Taxable net income (Subsection 92-3107 (A)):

> Georgia taxable net income of an individual shall be the taxpayer's Federal adjusted gross income, as defined in the United State Internal Revenue Code of 1954, with modifications.

Corporation Income Tax

Taxation of corporations (Subsection 92-3102 (A)):

> Every domestic and foreigh corporation pays an annual income tax, which shall consist of their taxable income as defined in the Internal Revenue Code of 1954, with modifications.

Severance Tax

Oil and Gas Production Tax[1]:

> The Department of Mines, Mining and Geology is authorized to impose a tax of 5 mill per barrel of oil and 1/2 mill per 1,000 cubic feet of gas. The tax is to be paid to the State Treasury (Sections 6, 2A).

License Fees

Phosphate mining license and other fees (Section 43-402):

> Licenses shall be granted upon the express condition that the grantees shall pay to the Fiscal Division of the Department of Adminstrative Services the sum of $1 per ton for every ton of phosphate rock and phosphate deposit mined and removed from said navigable rivers and waters and the banks and margins thereof; said grantees shall pay the Fiscal Department of the Department of Adminstrative Services the sum of $100 as a license fee before commencing business under said license.

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[1]From State Tax Guide, CCH, paragraph 45-351.

Permit Fees

Oil and Gas Deep Drilling Permits (Subsection 43-709 (A)):

Before a well may be drilled, the person desiring to drill must apply for a drilling permit with the Department of Natural Resources, using such forms as the Department may prescribe, and shall pay a fee of $25 for each permit.

HAWAII

Income Taxes In General

Definitions (Section 235-1):

"Gross Income", "Adjusted Gross Income" and "Taxable Income", respectively mean the same as gross income, adjusted gross income and taxable income, as defined and determined under the Internal Revenue Code, with modifications.

Permit Fees

Strip Mining. Application for a permit; fee (Subsection 181-4 (A)):

The application for a permit shall be accompanied by an annual fee determined by the number of acres to be stripped in one year, as follows:

Acreage	Fees
Less than ten acres	$100
Ten to twenty-four acres	$200
Twenty-five to forty-nine acres	$300
Fifty to ninety-nine acres	$400
One hundred acres or more	$500

IDAHO

Income Taxes in General

Taxable income defined (Section 63-3022):

> The term "taxable income" means "taxable income" as defined in Section 63 of the Internal Revenue Code, with modifications.
>
> From Subsection G:
>
> In the case of person other than corporation (corporations) in calculating the limitation imposed by Section 613A, (percentage depletion) of the Internal Revenue Code relating to depletion allowances, the following adjustments shall apply.
>
> a. No deduction shall be included for any state taxes measured by income; and
>
> b. Federal income tax shall be included as a deduction in measuring the taxable income from the property for which the depletion allowance is being computed.

Severance Taxes and Permit Fees

1. License Tax for Privilege of Mining and Extracting Ores: License tax to be measured by 2% of the net value of ores mined (Section 47-1201).

2. Oil and Gas Wells. Oil and Gas Conservation Fund; Tax (Section 47-330): For the purpose of paying the adminstrative costs of this article, there is established a special fund known as the "Oil and Gas Conservation Fund", and there is levied and imposed on all oil and gas produced, saved and sold or transported from the premises in Idaho where produced, a tax not to exceed 5 mills per barrel of oil or per 50,000 cubic feet of gas. The amount is determined annually by the oil and gas commission. Also, a filing and service fee of $100 must accompany a request for a permit for the drilling of a well for oil or gas.

ILLINOIS

Income Taxes in General

A taxpayer's gross income, adjusted gross income, or taxable income for the taxable year shall mean the amount of gross income, adjusted gross income or taxable income property reportable for Federal tax purposes for the taxable year, under the provisions of the Internal Revenue Code, with modifications (Chapter 120, Subsection 2-203 (D)(1)).

Permit Fees

1. Surface-Mined Land Conservation and Reclamation Permit; Fee (Chapter 93, Subsection 205 (A)): A fee of $50 plus $25 for every acre and fraction of an acre of land to be affected must be submitted with an application for a permit for surface mining of such lands.

2. Oil and Gas. Deposit to accompany application for permit (Chapter 104, Section 75): Each application for permit to drill, deepen or convert shall be accompanied by a $40 fee.

Property Taxes

Exemption from the valuation of personal property:

All companies and associations organized for the mining and sale of coal (Chapter 120, Section 498 and Subsection 504 (4)).

INDIANA

Personal Income Tax

Subsection 6-3-1-3.5 (A):

> In the case of all individuals, "adjusted gross income" is defined as in Section 62 [26 U.S.C. 62] of the Internal Revenue Code, with modifications.

Corporate Income Tax

Subsection 6-3-1-3.5 (B):

> In the case of corporations, "adjusted gross income" is defined as "taxable income" as in Section 63 [26 U.S.C. 63] of the Internal Revenue Code, with modifications.

Severance Tax

Petroleum Severance Tax; rate (Section 6-8-1-8):

> A tax at the rate of one percent of the value of all petroleum is imposed as of the time of severance.

IOWA

Personal Income Tax

Personal Net Income Tax, Chapter 422, Division II. Section 422.7:

> The term "net income" means the adjusted gross income as properly computed for Federal income purposes, under the Internal Revenue Code of 1954 with modifications.

Corporate Income Tax

Business Tax on Corporations, Chapter 422, Division III. Section 422.35:

> The term "net income" means the taxable income less the net operating loss deduction, both as properly computed for Federal income tax purposes under the Internal Revenue Code of 1954, with modifications.

Permit Fees

1. Oil and Gas Well Drilling: Permit required under Section 84.5; fee: $50 per well.

2. Mining license required for every person, partnership or corporation engaged in surface mining or operations of an underground mine or mines, under Section 83A.7; fee submitted with application for license: $50.

KANSAS

Income Taxes in General

Subsection 79-32,109 (A):

> Any terms used in this act (Article 32 - Income Tax) shall have the same meaning as when used in a comparable context in the Internal Revenue Code of 1954, and amendments thereto. Tax imposed on individuals and corporations under Section 79-32,110.

Severance Tax

Oil and Gas Production Tax[1]

> Pursuant to general statutory powers (Sections 65-171D and 65-171F) the State Board of Health has imposed the following taxes:
>
> > For the prevention of stream pollution, $.001 per barrel of petroleum produced and $.00005 per 1,000 cubic feet of gas produced (Rule 28-8-9).
>
> Pursuant to general statutory authority (Sections 55-601 and 55-611) the State Corporation Commission has imposed the following taxes:
>
> > For purposes of oil conservation, $.0025 per barrel of crude oil or petroleum marketed or used (Rule 82-2-116).
> >
> > For purposes of gas conservation, not over $.0008 on each 1,000 cubic feet of gas produced, sold, marketed or used (Rule 82-2-216).

Permit Fees

License for drilling certain holes or plugging wells (from Chapter 55 - Oil and Gas), fee (Section 55-128A).

> Application fee for a license for drilling certain holes or plugging wells: $15.

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[1] From State Tax Guide, CCH, paragraph 45-441.

KENTUCKY

Personal Income Tax

"Adjusted gross income" in the case of taxpayers other than corporations, means gross income as defined in Section 141.010 (9), minus the deductions allowed individuals by Section 62 of the Internal Revenue Code, with adjustments.

Corporate Income Tax

"Net income" in the case of corporations, means "gross income", as defined in Subsection 141.021 (12), minus all the deductions from gross income allowed corporations by Chapter 1 of the Internal Revenue Code, with certain modifications.

Severance Taxes

1. Coal; rate (Section 143.020): A tax is imposed at the rate of 4-1/2% of the gross value of all coal severed; except that the minimum severance tax liability for a reporting period (defined under Subsection 143.010 (7), usually the reporting period is monthly), shall be an amount determined by applying a rate of $.50 per ton to the total number of tons severed during the reporting period.

2. Taxes in production of crude - State and County (Section 137.120):

   Subsection 1: Every producer of crude petroleum oil shall pay a tax for State purposes equal to 0.5% of the market value of all crude petroleum produced by him in Kentucky.

   Subsection 3: Any county may impose a tax for road, county or school purposes of not more than 1% of the market value of all crude petroleum produced in the county.

Permit Fees

1. Application for permit for drilling, deepening, reopening a plugged well; fees (Section 353.590): Subsection (2). Each application shall be accompanied by a specific fee. The fee shall be $25 for each well to be drilled, deepened or reopened for the production of oil or gas; $10 for each well drilled, deepened or reopened for the injection of water, gas or other fluid therein;

$10 for each well drilled, deepened or reopened as a part of a program for the recovery of oil and gas by secondary recovery methods, except $100 for the permits issued in this last case for all wells on each separately leased tract; and $10 for each water supply well and geological or structure test hole to be drilled or deepened.

2. Fee required before issuance of permit fee for strip mining (Section 350.060): Subsection (9). A basic fee of $150 plus $35 for each acre or fraction thereof of the area of the land to be affected by the operation shall be paid before the permit required herein shall be issued.

LOUISIANA

Personal Income Tax

"Adjusted gross income" means for any taxable year and for any individual, the adjusted gross income of the individual for the taxable year that is reportable on the individual's Federal income tax return (Section 47:293).

Corporate Income Tax

In computing net income deductions for depreciation (Section 47:65) and depletion (Section 47:66) are allowed. The basis for depreciation is under Section 47:157; the basis for depletion is under Section 47:158. The following are percentage depletion rates under Subsections 47:158 (C) and (D):

Oil and gas wells - 38% of the gross income from the property during the taxable year.

Coal mines - 5%

Metal mines - 15%

The allowance for depletion under both "discovery value" (Subsection 147:158 (B)) and "percentage depletion" cannot exceed fifty percent of the net income of the taxpayer from the property.

Severance Taxes[1]

1. Natural Resource Severance Tax: A tax is imposed on all natural resources severed from the soil or water in Louisiana (Section 47:631). The taxes are imposed on the quantity or value of the products or resources severed (Section 47:633). Producers of dry gas or gas in combination with liquid hydrocarbons are subject to an excise tax (Section 47:692).

   Rate - Sections 47:633, 47:651, 56:1541; Section 1, Article 10, Louisiana Constitution of 1921:

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[1]From State Tax Guide, CCH, paragraph 45-471.

Gas[2] (per 1,000 cubic feet):

At 15,025 pounds pressure per square inch at 60°F- $.07 per 1,000 cubic feet.

From oil well with 50 pounds pressure per square inch in gauge or less - $.03.

From well incapable of producing average of 250,000 cubic feet per day - $.013.

A tax credit is allowed on gas used or consumed by manufacturers in excess of 25,000 cubic feet (See paragraph 10-476) (Section 47:7).

Oil:

12-1/2% of value at time and place of severance. Such value is the higher of 1) the gross receipts from the first purchaser less trucking, barging and pipeline fees and charges, or 2) the posted field price. In the absence of either of these, the value is the severer's gross income from property computed for depletion purposes.

Wells incapable of producing more than 25 barrels per day which also produce at least 50% salt water per day, half of the above rate. Wells incapable of producing more than 10 barrels of oil per day, one quarter of the above rate.

Distillate, condensate or similar natural resources severed with either oil or gas: 12-1/2% of gross value at the time and place of severance (gross value is as computed above for oil).

Natural gasoline, casinghead gasoline and other natural gas liquids, ethane or methane recovered through processing gas after separation of oil, distillate, condensate or similar natural resources: $.10 per barrel of 42 gallons.[3]

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[2]The rate of tax on gas sold at a rate less than that authorized as the area ceiling rate by the Federal Power Commission under a written agreement in existence prior to May 1, 1972, requiring the seller to pay all of the severance tax on gas without reimbursement may not exceed $.03 per 1,000 cubic feet during the term of such contract. The tax

Coal (per 2,000 pounds)	$.10
Ores (per 2,000 pounds)	.10

Producers of dry gas or gas in combination with liquid hydrocarbons pay a tax equal to the difference between the price received by the producer for the royalty owner's interest and the price paid by the producer to the royalty owner therefor. If products are sold to a subsidiary or used by the producer under conditions requiring payment of a royalty, the tax equals the difference between a reasonable market value of the royalty owner's interest less the actual plant cost of manufacture and the price paid the royalty owner (Section 47:692).

Working interest owners in an oil or gas well that discover a new field are exempt from 50% of all severance taxes on the oil or gas produced for a period of 24 months from the date regular production is begun. The exemption applies to the first 2,000,000 cubic feet of gas and the first 100 barrels of oil produced per day (Act 718, Laws 1977; Section 47:646.1).

2. Gas Gathering Tax (Section 47:671)[4]: In addition to all other taxes, persons engaged in gathering natural or casinghead gas pay a tax of $.01 per 1,000 cubic feet.

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[2](cont'd) on gas sold at a rate less than that authorized as the area ceiling rate ordered by the Federal Power Commission (in opinions Nos. 598 and 607) under a written agreement in existence prior to November 25, 1973, requiring the seller to pay more than 50% of any increase in severance tax levied after the date of such written agreement shall not exceed $.04 per 1,000 cubic feet during the existence of such contract. Gas sold under contracts providing for a price increase as a result of severance tax increases since the date of contract execution equal to 50% or more of such increased taxes is taxed at the full rate and not the above reduced rate. Certified copies of such written agreements must be filed with the Department of Revenue and Taxation not later than 30 days after August 1, 1974 (Section 47:633.1).

[3]The taxes are in lieu of other taxes levied on gas (Section 47-633).

[4]The gas gathering tax was suspended pending a determination by a court of last resort as to its constitutionality. The tax was found unconstitutional in Bel Oil Corporation vs. Fontenot ('59), 238 La. 1002, 117 So. 2d 571.

MAINE

Personal Income Tax

Taxable Income (Title 36, Section 5121):

> The entire taxable income of a resident individual of Maine is his Federal adjusted gross income as defined in the laws of the United States with modifications.

Corporate Income Tax

Maine Net Income (Title 36, Subsection 5102 (8):

> "Maine net income" means for any taxable year and for any corporate taxpayer, the taxable net income of the taxpayer for that taxable year under the laws of the United States with certain modifications.

Subsection 5102 (11):

> Any reference in this part to the laws of the United States shall mean the provisions of the Internal Revenue Code of 1954, and amendments thereto, any other provisions of the laws of the United States relating to Federal income taxes as of January 1, 1973.

Property Taxes

Under Title 36, Subsection 656 (8):

> Mines of gold, silver or of baser metals, when opened and in the process of development, are exempt from taxation for 10 years from the time of such openings. This exemption does not apply to taxation of the lands or the surface improvements of such mines.

MARYLAND

Personal Income Tax

Taxable net income of individual taxpayer (Article 81, Subsection 280 (A)):

> In general, the taxable net income of an individual taxpayer of Maryland is that taxpayer's Federal adjusted gross income as defined in the laws of the United States, as amended from time to time and in effect for the corresponding taxable year, with the modifications and less the deductions and personal exemptions provided in this subsection.

Corporate Income Tax

Net income of corporations (Article 81, Subsection 280A (A)):

> In general, the net income of a corporation shall be the taxable income of such taxpayer as defined in the laws of the United States as amended from time to time and for the corresponding taxable period with modifications.

Severance Taxes

1. Mine reclamation surcharge (N.R. Section 7-507.1): On the basis of the approved annual and monthly progress reports, the Department of Natural Resources shall assess a $.15 mine reclamation surcharge for each ton of coal removed by the open-pit or strip method. The amounts shall be deposited to the credit of the Bituminous Coal Open-Pit Mining Reclamation Fund.

2. N.R. Subsection 7-5A12 (B): On the basis of an approved annual progress or completion reports, the Secretary of Natural Resources shall assess a $.15 surcharge for each ton of coal removed during the past year.

License, Permit and Special Fees

1. Open-pit (strip) mining operator's license; fee (N.R. Section 7-504): Each application for a license as an open-pit mining operator shall be made in writing to the Department of Natural Resources, on a form the Department furnishes

and accompanied by a $200 fee. Every person licensed as an open-pit mining operator shall renew his license annually and pay a $10 renewal fee.

2. Open-pit mining generally; special reclamation fees (N.R. Subsection 7-505 (E)): In addition to any fee required in this subtitle, each applicant for a permit to mine coal by open-pit or strip method, shall pay to the Department, before the permit is issued, a special reclamation fee at $40 for each acre of land affected. The State shall contribute an equal amount. This fee shall be deposited in the Bituminous Coal Open-Pit Mining Reclamation Fund.

3. Deep Mine Control (N.R. Subsection 7-5A01 (E)): "Deep mining" means the extraction of coal through underground mining methods, including gaining access to the coal deposits by means of vertical or inclined shafts, by drift mining from the coal outcrop, or by other means that do not involve the stripping away of overburden to expose the deposit.

License fees (N.R. Subsection 7-5A04.1 (B)): The application fee for a license shall be made in writing on a form the Department of Natural Resources furnishes and accompanied by a $200 fee. Also, there is an annual $10 renewal fee.

4. Permit fee for deep mining (N.R. Subsection 7.5A05 (B)): The application for a permit shall be on a form prescribed by the Secretary of Natural Resources and shall be accompanied by a $200 fee.

Transfer of permit; fee (N.R. Subsection 7-5A06 (B)): Fee - The successor operator of a deep mine shall pay a $20 fee on filing a transfer of permit.

5. Surface mining; Operator's license fee and license renewal (N.R. Subsection 7-6A06 (C)): The application to conduct an active operation to extract minerals by the surface mining method shall be accompanied by a $100 fee. The license shall be renewable annually and the renewal fee is $50.

6. Surface mining permit fee (N.R. Subsection 7-6A07 (E)): Each application for a permit shall be accompanied by a $200 filing fee. An additional fee shall be charged for a modification or renewal of a permit or issuance of a new permit following cancellation of an existing permit.

7. Special reclamation fee for surface mining (N.R. Subsection 7-6A07 (F)): Before a surface mining permit is issued every applicant shall pay a special reclamation fee of $30 for each acre of land affected.

Transfer of permit, fee (N.R. Subsection 7-6A16 (B)): The successor operator of a surface mine shall pay a $100 fee on filling a transfer of permit.

MASSACHUSETTS

Corporate Income Tax

"Net Income" defined (Chapter 63, Subsection 30 (B)):

> "Net Income" means gross income less the deductions, but not credits allowable under the provisions of the Federal Internal Revenue Code, as amended and in effect for the taxable years, with certain modifications.

MICHIGAN

Personal Income Tax

Taxable income, person other than corporation, estate or trust (Subsection 206.30 (1)):

> "Taxable income" in the case of a person other than a corporation, an estate, or trust means adjusted gross income as defined in the Internal Revenue Code, subject to certain adjustments.

Single Business Tax

From Subsection 208.3 (3):

> "Business income" means Federal taxable income, except that for a person other than a corporation, it means that part of Federal taxable income derived from business activity. (See Sections 208.9 and 208.23 for details on deductions for depreciation and amortization.)

Note: Subsection 208.31 (4). The tax so levied and imposed is upon the privilege of doing business and not upon income.

Severance Taxes

1. Conservation Oil, Gas and Minerals; fee (Subsection 319.22 (1)): For the purpose of monitoring, surveillance, enforcement and administration of this act, a fee not in excess of 1%, based on the gross cash market value is levied upon all oil and gas produced in Michigan.

2. Severance tax on oil or gas; tax rate (Section 205.303): The severance tax required to be paid by each producer at the time of rendering each monthly report, or by a pipeline company, common carrier or common producer, for and on behalf of a producer, shall be in the amount of 2% of the gross cash market value of the total production of the oil or gas during the preceding monthly period, exclusive of the production or proceeds therefrom attributable to the State, the government of the United States, or a political subdivision thereof.

Permit Fees

Permit to drill well; fee (Section 319.23):

> A fee of $100 shall be charged for a permit to drill a well, subject to this act.

Property Taxes

Specific taxes in lieu of ad valorem taxes are provided for underground beneficiated iron ore (Section 207.279), low grade iron ore property (Section 211,624) and oil and gas (Section 205.315).

MINNESOTA

Personal Income Tax

"Gross Income" defined (Section 290.01, subdivision 20):

> For each of the taxable years beginning after December 31, 1970, the term "gross income" in its application to individuals, shall mean the adjusted gross income as computed for Federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with modifications.

Corporate Excise Tax (Section 290.02) and Income Tax (Section 290.03)

Deduction from gross income are provided under Section 290.09; however, any item which was deducted in arriving at gross income under the provisions of Section 290.01, Subdivision 20, shall not be again deducted under Section 290.02. See Subdivision 290.09 (7) and (8) for deductions for depreciation and depletion respectively. The basis for depletion is computed on the basis of property (Section 290.16).

Severance Taxes

1. Iron Severance Tax[1]: Every person engaged in the business of mining or producing iron ore or other ores in Minnesota is subject to an occupation tax on the value of all ores so mined or produced as of the time and place brought to the surface less actual costs of production, royalties paid, a percentage of ad valorem taxes, and taxes imposed on taconite, semi-taconite and iron sulphide operations (Section 298.01, 298.03). The tax does not apply to persons engaged in mining or producing copper-nickel ores (Section 298.51).

   The rate of tax is 15.5% of the value of all ores, except taconite, semi-taconite and iron sulphides, mined or produced. The tax on taconite, semi-taconite and iron sulphides mined or produced in Minnesota is 15% of value (Section 298.01).

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[1]From State Tax Guide, CCH, paragraph 45-546.

In the case of underground mines or that tonnage of ore from open pit mines that has been beneficiated, a credit is allowed against the tax equal to 10% of labor costs in excess of $.70 and not in excess of $.90 per ton and 15% of labor costs of $.90 per ton. In the case of other tonnage or other mines the credit shall be equal to 10% of labor costs in excess of $1.05 per ton, plus 15% of labor costs in excess of $1.05 per ton, multiplied by number of tons of ore produced not in excess of 100,000 tons. The credit shall not exceed 3/4 of 11% in the case of underground and taconite operations and 6/10ths of 11% in the case of other operations, of the value of the ore used in computing the tax under Section 298.01.

The aggregate amount of all credits shall not exceed 6.2% of aggregate amount of the primary occupation tax assessed under Section 298.01, provided such limitation shall not apply to labor credits for underground or taconite mines. In lieu of above credit, a credit against the tax is allowed equal to 2/3 of 1% of amount of tax for each 1% of iron ore converted into pig, sponge, or powdered iron in Minnesota (Section 298.02).

A credit against the tax is allowed where the allowable costs for any mine, except taconite and semi-taconite, exceed the value of the ore at the surface. The credit is computed by applying the current tax rates to the excess of such costs over the value, limited to 53.68% of the credit so computed in the case of open pit iron ore mines, and 42.10% for underground mines (Section 298.027).

2. Semi-taconite tax[2]: Every person engaged in the business of mining semi-taconite deposits or in producing concentrate therefrom pays a tax based on the amount produced (Section 298.35). The tax is in addition to the iron severance tax and royalty tax but is in lieu of all other taxes on such semi-taconite and semi-taconite deposits, or the lands in which they are contained, mining, production of concentrate, concentrate produced, and machinery used in operations or lands occupied by or used in connection with such mining, quarrying or production facilities. Not excepted are surfaces of reserve lands not occupied by such

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[2]From State Tax Guide, CCH, paragraph 45-551.

facilities, ore and minerals other than semi-taconite and facilities for producing sulphur and products from iron sulphide concentrates (Section 298.36). In any year in which at least 1,000 tons of iron ore concentrate are not produced from any 40-acre tract, a tax not to exceed $1 per acre is levied (Section 298.37).

The rate of tax is $.10 per ton ($.05 per ton if agglomerated or sintered in Minnesota) of merchantable concentrate, plus 1/10th of $.01 per ton for each 1% of iron content in excess of 55% when dried at 212°F (Section 298135).

3. Taconite, Iron Sulphides and Agglomerate Taxes[3]: Every person engaged in the business of mining taconite and iron sulphides or in producing iron ore concentrate therefrom pays a tax based on the amount produced (Section 298.24). A tax on the amount produced is also levied on agglomerating facilities, the production of agglomerates and other merchantable iron ore products therein and on the agglomerates (Section 298.393). The tax is in addition to the iron severance tax and the royalty tax, and is in lieu of all other taxes on taconite, iron sulphides and agglomerates or agglomerating facilities, or lands in which they are contained and machinery used in the above operations or lands occupied by or used in connection with mining, quarrying or production facilities. Not excepted are surfaces of reserve lands not occupied by such facilities, ore and minerals other than reserve lands not occupied by such facilities, ore and minerals other than taconite and iron sulphides, and facilities for producing sulphur and products from iron sulphide concentrates (Section 298.25). In any year in which at least 1,000 tons of iron ore concentrate are not produced per 40-acre tract, a tax of not over $10 per acre is levied (Chapter 423, Laws 1977; Section 298.26).

Rate: $1.25 per ton ($.05 per ton for agglomerates) of merchantable iron ore concentrate produced. The tax on concentrates produced in 1978 and subsequent years is equal to $1.25 multiplied by the steel mill products index during the production year, divided by the steel mill products index in 1977, but in no event will the tax be less than $1.25 per ton. There is an additional tax of 1.6%

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[3]From State Tax Guide, CCH, paragraph 45-550.

of the total tax above per ton for each 1% that the iron content of such product exceeds 62% when dried at 212°F. The tax is computed on the production for the current year or the average of the production for the current year and the previous two years, whichever is higher (Chapter 423, Laws 1977; Sections 298.24 and 298.393).

An additional tax is imposed upon the tailings (solid and liquid waste materials resulting from the beneficiation process) produced by the mining and quarrying of taconite and iron sulphides and the production of iron ore concentrate at the rate of $.10 per ton of tailings produced which are not deposited on land in accordance with permits issued by the pollution control agency and the Department of Natural Resources (Chapter 423, Laws 1977; Section 298.24).

4. Ore Royalty Tax[4]: A tax is imposed upon all royalty received for permission to explore, mine, take out and remove ore (Section 299.01).

   The rate of tax is 15.5% of the royalty received, except that the tax on the royalty received for permission to explore, mine, take out and remove taconite, semi-taconite and iron sulphides from Minnesota is 15% (Section 299.01).

   The labor credit allowed under the iron severance tax is allowed hereunder, provided, if the ore produced had no valuation for occupation tax purposes because of allowable deductions, the credit shall equal 3/4 of 11%, as applied to underground, taconite and semi-taconite operations, and 6/10 of 11% as applied to all other operations, of the royalty received (Section 299.012).

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[4]From State Tax Guide, CCH, paragraph 45-547.

MISSISSIPPI

Income Tax in General

Deductions allowed (Section 27-7-17):

Depreciation (Sbusection G): A reasonable allowance for exhaustion, wear and tear of property used in trade or business, or rental property, and depreciation upon buildings based upon their reasonable value as of March 16, 1912, if acquired prior thereof, and upon cost if acquired subsequent to that date.

Depletion (Subsection H): In the case of mines, oil and gas wells, other natural deposits and timber, a reasonable allowance for depletion and for depreciation of improvements, based upon cost, including cost of development, not otherwise deducted, or fair market as of March 16, 1912, if acquired prior to that date, such allowance to be made upon regulation prescribed approval of the governor.

Severance Taxes and Property Tax Exemptions

Oil severed or produced in state (Article 5); Privilege tax levied (Section 27-25-503):

The amount of tax shall be measured either by the value of the oil produced, or by the quantity produced, and shall be levied and assessed at the rate of $.06 per barrel, or 6% of the value thereof at the point of production. ("Value" is defined in Subsection 27-25-501 (D)); basically, it means the sale price, or market value, at the mouth of the well.

Ad Valorem exemptions: All oil produced or under the ground on producing properties within the State of Mississippi and all producing oil equipment, including wells, connections, pumps, derricks and other appurtenances actually owned by and belonging to the producer, and all leases in production, including mineral rights in producing properties; shall be exempt from all ad valorem taxes now levied or hereafter levied by the State of Mississippi, or any county, municipality, levee district, road, school or any other taxing district within this state. This exemption

shall not apply to drilling equipment, including derricks, machinery, and other materials necessary to drilling, nor to oil gathering systems, nor to the surface of lands leased for oil production or upon which oil producing properties are situation, but all such drilling equipment, gathering systems and lands shall be assessed as are other properties and shall be subject to ad valorem tax. However, no additional assessment shall be added to the surface value of such lands by reason of the presence of oil thereunder or its production therefrom. The exemption herein granted shall apply to all ad valorem taxes levied in the year 1944 and each year thereafter.

Natural Gas Severed or Produced in State (Article 7); Privilege Tax levied (Section 27-25-703)[1]:

The amount of such tax shall be measured either by the value of the gas produced, or by the quantity produced and shall be levied and assessed at a rate of 6% of the value (defined in Subsection 27-25-701 (D)) thereof at the point of production, or at a rate of 3 mills per 1,000 cubic feet measured at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch, whichever is greater.

Ad valorem exemption (Section 27-25-721) are similar for natural gas as for oil, with the exception that the gas property tax exemption applies to all ad valorem tax levied in the year 1948 and each year thereafter.

Oil, Gas and other Minerals (Title 53); Oil and Gas Board (Chapter 1); Tax imposed to pay for Administrative expenses (Section 53-1-73):

For the purposes of paying the costs and expenses incurred in connection with the administraction and enforcement of the oil and gas conservation laws of the State of Mississippi and of the rules, regulations and orders of the state oil and gas board, there is hereby levied and assessed against each barrel of oil produced and saved in the State of Mississippi a charge not to exceed 6 mills on each barrel of such oil, and against each 1,000 cubic feet of gas produced, saved and sold a charge not to exceed 2/5 mill on each 1,000

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[1] Applies to natural and casinghead gas and any gas or vapor taken from below the surface of the soil or water in Mississippi, regardless of whether produced from a gas well or from a well also productive of oil or any other product (Subsection 27-25-701 (F). and Section 27-25-703).

cubic feet of gas. The state oil and gas board shall fix the amount of such charge in the first instances, and may, from time to time, change, reduce or increase the amount thereof, as in its judgment the charges against the fund may require, but the amounts fixed by said board shall not exceed the limits hereinabove prescribed; and it shall be the duty of the board to make collection of such assessments. All moneys so collected shall be used exclusively to pay the expenses and other costs in connection with the functioning of said state oil and gas board and the administration of the oil and gas conservation laws of the State of Mississippi now in force or hereafter enacted and the rules, regulations and orders of said board.

Mineral Documentary Tax

Mineral Documentary Tax (Section 27-31-77); Amount (Section 27-31-79):

From Section 27-31-77: There is hereby levied and shall be paid and collected, as herein set forth, a documentary or transfer tax, upon the filing and recording of every lease and other writing hereafter executed whereby there is created a leasehold interest in and to any non-producing oil, gas or other minerals in, on or under or that may be produced from any lands situated within the State of Mississippi, or whereby any such interest is assigned or is extended beyond the primary term fixed by the original instrument, and upon every deed, instrument, transfer, evidence of sale or other writing whereby there is hereafter conveyed to a grantee or purchaser, or excepted or reserved to a grantor separately and apart from the surface, any interest in, or right to receive royalty from, non-producing oil, gas or other minerals in, on or under or that may be produced from any lands within the State of Mississippi. Provided, the tax shall not apply to any mortgage or instrument creating a lien upon such interest, nor to the sale under foreclosure thereof, or the passing of such interest by descent or will.

From Section 27-31-79: Lien. The mineral documentary tax shall be a lien upon the interest leased, assigned, conveyed, reserved, excepted or transferred and the amount to be paid shall be determined as follows (provided that the minimum tax shall be $1), to wit:

a. Upon the filing and recording of each instrument creating, assigning or transferring a leasehold (or interest therein or any portion thereof) or conveying, transferring, excepting or reserving a mineral or royalty interest as above described, the primary term of which shall expire 10 years or less from the date of the execution of the instrument, the tax shall be a sum equal to $.03 per mineral or royalty acre conveyed, leased, assigned, excepted, reserved or transferred therein.

b. Such tax shall be $.06 per mineral or royalty acre if the primary term of such interest shall expire more than 10 years and not exceeding 20 years from the date on the execution of such instrument.

c. Such tax shall be $.08 per mineral or royalty acre if the primary term of such interest shall extend more than 20 years from the date of the execution of such instrument.

Other Property Exemptions

Interests exempted (Section 27-31-73):

All non-producing leasehold interest upon all oil, gas and other minerals in, or under lands in the state, and all non-producing severed mineral and royalties interests therein are exempt from property taxes.[2] This provision is provided, partially to encourge drilling for and production of oil, gas and other minerals.

Drilling Rigs Exempted (Subsection 27-17-143):

There is exempted from all ad valorem taxes, drilling rigs used in the production of oil, gas, sulphur, salt or any other minerals.

Permit Fees

Development, Production and Distribution of Gas and Oil (Chapter 3); Permit fee (Section 53-3-13):

Any person securing a permit to drill a well in search of oil or gas under the provision of Section 53-3-11, shall pay to the oil and gas supervisor a fee of $200 upon and for the issuance of such permit. A lesser sum

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[2] From State Tax Guide, CCH, paragraph 20-562.

may be paid if the state oil and gas board shall adopt a rule fixing the amount to be paid at a sum less than $200. Any such permit, when issued and the fee paid thereon, shall be good for a period of 6 months from the date thereof and in the event drilling has commenced within the said 6 months, the permit shall be good for the life of the well so commenced, unless during the course of drilling or production, the operator is changed. In the event a change of operators from that listed in the drilling permit is desired, the operator so listed and the proposed new operator shall apply to the state oil and gas board for authority to change operators on forms prescribed by order of the state oil and gas board. The fee for such change of operators shall be $50 per change, or some lesser sum as may be fixed by order of the board (Subsection 1).

All moneys collected under Subsection 1, go into a special fund known as the "Oil and Gas Conservation Fund" (Subsection 53-3-13 (2)).

MISSOURI

Personal Income Tax

Missouri adjusted gross income (Subsection 143.121 (1)):

> The Missouri adjusted gross income of a resident individual shall be his Federal adjusted gross income subject to the modifications in this section (Section 143.121).

Corporate Income Tax

Missouri taxable income (Subsection 143.431):

> The Missouri taxable income of a corporation taxable under Sections 143.011 to 143.996, shall be as much of its Federal taxable income for the taxable year, with modifications.

Permit Fees

Reclamation of Mining Lands; Annual Strip Mining Permit required, fee, renewal (Section 444.590):

> Subsection 2: A basic fee of $50 plus $17.50 for each acre or fraction thereof of the area of the land to be affected by strip mining, shall be paid to the (land reclamation) commission before the permit shall be issued.
>
> Subsection 3: Where acreage for which a permit has been issued is being mined, and mining operations have not been completed during the permit year, the permit as to such acreage may be renewed by applying on a permit renewal fee form furnished by the (land reclamation) commission for an additional permit year and a payment fee of $50 and filing a bond as provided in Section 444.570.

The Land Reclamation Act; Permit fee for surface mining (Section 444.772):

> Subsection 1: A basic permit fee of $50 plus $17.50 for each acre or fraction thereof of land to be affected by the operation, shall be paid before the permit required herein shall be issued.

Subsection 4: Where acreage for which a permit has been issued is being mined, and mining operations have not been completed thereon during the permit year, the permit as to such acreage may be renewed by applying on a permit renewal form furnished by the (land reclamation) commission for an additional permit year and payment of a fee of $50.

MONTANA

Personal Income Tax

Adjusted gross income (Subsection 84-4905 (1)):

> Adjusted gross income shall be the taxpayer's Federal income tax adjusted gross income, as defined in Section 62 of the Internal Revenue Code of 1954, or as that Section may be labeled or amended, with modifications.

Corporate License Tax (Chapter 15)

Deductions allowed in computing income (Section 84-1502):

> Subsection 2A: A reasonable allowance is provided for wear and tear and obsolescence of property used in the trade or business, such allowance to be determined according to the provisions of Section 167 of the Internal Revenue Code in effect with respect to the taxable year. All elections for depreciation shall be the same as the elections made for Federal income purposes.
>
> Subsection 3: In the case of mines, other natural deposits, oil and gas wells, and timber, a reasonable allowance for depletion and for depreciation of improvements, such reasonable allowance to be determined according to the provisions of the Internal Revenue Code with respect to capitalizing or expensing exploration expenses for corporation license tax purposes shall be the same as the elections made for Federal income tax purposes. Under Subsection 2B (b)(ii) if a net operating loss occurs the deduction for depletion shall not exceed the amount which would be allowable if computed under the cost method.

Severance Taxes and Permit Fees

1. Coal Severance Tax[1]: Each coal mine operator is subject to a severance tax on each ton (2,000 pounds) of coal produced in Montana each calendar quarter (Sections 84-1313 to 84-1315). No tax is imposed on the first 20,000 tons of coal produced in a calendar year (Chapter 164, Laws 1977; Section 84-1314).

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[1]From State Tax Guide, CCH, paragraph 45-591.

The tax is computed according to the following schedule (Section 84-1314):

Heating Quality (BTU per Lb. of Coal)	Tax Rates Surface Mining	Underground Mining
Under 7,000	12¢ or 20% of value	5¢ or 3% of value
7,000 to 8,000	22¢ or 30% of value	8¢ or 4% of value
8,000 to 9,000	34¢ or 30% of value	10¢ or 4% of value
Over 9,000	40¢ or 30% of value	12¢ or 4% of value

The formula yielding the greater amount of tax must be used at each point on the above schedule. "Value" means contract sales price (Section 84-1314).

Permits: Strip or underground mining permit, $50 renewable annually (Section 50-1039). If prospecting is not included in strip or underground mining permit, a prospecting permit is required, renewable annually, upon payment of a $100 fee (Chapter 441, Laws 1975; Section 50-1041).

2. Metalliferous Mines License Tax[2]: Every person operating a mine in Montana from which any metals, precious or semi-precious gems or stones are produced must pay a tax based on the gross value of the products (Section 84-2002). The gross value is determined by the market value, except in the case of ores which require smelting to ascertain metal content when the value is the gross smelter returns at market price listed by some standard New York publication. The cost of processing the ore shall not be deducted in determining the gross value (Section 84-2003).

The rates for each portion of the gross value of the products obtained are as follows (Section 84-2004):

First $100,000	0.15 of 1%
Exceeding $100,000, not exceeding $250,000	0.575 of 1%
Exceeding $250,000, not exceeding $400,000	0.86 of 1%
Exceeding $400,000, not exceeding $500,000	1.15%
Exceeding $500,000	1.438%

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[2]From State Tax Guide, CCH, paragraph 45-595.

4. Mineral Mining Tax[4]: Individuals, firms, partnerships, associations, joint-stock companies, syndicates and corporations mining, extracting or producing a mineral from the surface or subsurface of Montana are subject to an annual tax based on the gross value of the product (Sections 84-7003 and 84-7006).

   $25 plus 1/2 of 1% of the gross value of the product if in excess of $5,000 (Section 84-7006).

Property Taxes

Property Tax Exemptions (Subsection 84-202 (7)):

One-half of the contract sales price of coal sold by a coal producer who extracts less than 20,000 tons of coal in a calendar year is exempt from taxation.

Section 84-212: Metal mines producing less than 20,000 tons of ore in a taxable year shall be exempt from property taxation on one-half of the merchantable value.

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[4]From State Tax Guide, CCH, paragraph 45-603.

NEBRASKA

Personal Income Tax

From Subsection 77-2715 (1):

> The (income) tax shall be a flat percentage of, for each resident individual, the taxpayer's adjusted Federal income tax liability for the taxable year and for each non-resident individual, the taxpayer's adjusted Federal income tax liability for the taxable year which is attributable to income derived from sources within Nebraska.

Corporate Income Taxes

From Subsection 77-2734 (1):

> A tax is hereby imposed for each taxable year on the taxable income derived from sources within this state of any corporation or any other entity, taxed as a corporation under the Internal Revenue Code. "In computing taxable income no deductions are specifically provided for by Nebraska law, but since taxable income is as defined in the Internal Revenue Code by implication, corporations are entitled to all deductions allowed by the Code." [1]

Severance Tax

Oil and Gas Severance Tax. Tax; resources severed; rate (Section 57-763):

> Taxes shall be levied upon the value of the resources severed, and shall be paid at the rate of 2% of the value of such oil and natural gas. The value of oil and natural gas shall be computed immediately after such severance at the place where the same were severed.

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[1] From State Tax Guide, CCH, paragraph 10-609.

3. Oil or Gas Producer's Severance Tax[3]: Every person producing or extracting oil or natural gas in Montana pays a tax on total gross value of all merchantable or marketable petroleum, or other mineral or crude oil or natural gas extracted. Total gross value is computed on the average monthly value at the mouth of the well during the month the oil or gas is produced less any amount used in production operations (Chapter 245, Laws 1975; Sections 84-2202, 84-2294). An additional tax is levied to pay the expenses of the Oil and Gas Conservation Commission (Section 60-145).

   Natural gas produced from a well 5,000 feet deep or deeper on which drilling was commenced after December 31, 1976, but before December 31, 1980, is exempt from the severance tax for 3 years if the gas produced from the well is 1) placed into a natural gas distribution system serving only natural gas consumers, a majority of which are within Montana, or at least 10,000 natural gas consumers within Montana. The exemption begins when natural gas from a qualifying well is first placed into a natural gas distribution system. All reporting requirements remain in effect (Chapter 256, Laws 1977).

   The license tax is imposed at 2.1% of the first $6,000 of the total gross value of all petroleum and other oil produced from each lease or lease within a unitized property in the calendar quarter; 2.65% of that portion of total gross value of all production from each lease or lease within a unitized property in each calendar quarter in excess of such amount; and 2.65% of the total gross value of natural gas produced from each lease or unit (Chapter 160, Laws 1977; Chapter 245, Laws 1975; Section 84-2202).

   The maximum conservation tax rate is 2/10 of 1% of the market value of each barrel of crude petroleum, or each 10,000 cubic feet of natural gas, produced, saved and marketed or stored in Montana or exported (Chapter 178, Laws 1977; Section 60-145). The Oil and Gas Conservation Board may reduce or increase the conservation tax rate as expenses require; however, the rate may not exceed the maximum rate as set forth above (Section 60-145). Currently, the tax is levied at the maximum rate (Order No. 31-77, Board of Oil and Gas Conservation).

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[3]From State Tax Guide, CCH, paragraph 45-600.

Permit Fees

Oil and Gas Conservation, permit fee to drill and abandon wells (Section 57-906):

Subsection 1: A $50 fee must be paid for a permit allowing for the drilling of a well for oil or gas.

Subsection 2: A $25 fee must be paid before commencing operation for the abandonment of a well with production casing in the hole.

Oil and Gas Conservation Fund (Subsection 57-919 (2)):

There is hereby levied and assessed on the value at the well of all oil and gas produced, saved and sold or transported from the premises in Nebraska where produced, a charge not to exceed two mills on the dollar. (The Oil and Gas Conservation Commission has set the conservation mill levy at two mills per dollar (Order, Oil and Gas Conservation, March 25, 1975)).[2]

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[2]From State Tax Guide, CCH, paragraph 45-610.

NEVADA

Severance Tax

Oil and Gas Conservation Fund; tax on gas and oil produced (Subsection 522.120 (2)):

> Every person purchasing oil or natural gas from a Nevadan producer shall be liable for the payment of the tax per barrel of oil or per 50,000 cubic feet of natural gas, unless it shall have previously been paid by the producer. The tax rate shall be 5 mills per barrel of oil or 50,000 cubic feet of natural gas.

Permit Fees

Permits to drill well required; fee (Section 522.050):

> A person desiring to drill a well in search of oil or gas shall notify the Division of Mineral Resources of the State Department of Conservation and Natural Resources and shall pay a fee of $50 for a permit for each well.

Net Proceeds Tax

Net proceeds of mines taxed at same ad valorem rate as other property taxed (Section 212.140). (For definition of "net proceeds" see Section 362.120, Computation Gross Yield and Net Proceeds: Deductions; included under Subsection 362.120 (G) are deductions for depreciation. Also, the aforementioned sections, or any other in Chapter 312, are not to be construed as to exempt from taxation patented mines, machinery, mill, smelting or reduction works, transportation facilities or other facilities or equipment placed upon any mine or mining claim, or used in connection therewith, or supplies used in operation of any mine, mill, smelter or reduction works, or transportation facility or equipment (Section 362.210)).

NEW HAMPSHIRE

Commuter's Income Tax

"Adjusted Gross Income" defined (Subsection 77-B:1 (I)):

> "Adjusted Gross Income" shall mean, for any taxable year, the adjusted gross income as defined in the United States Internal Revenue Code in effect for that taxable year but excluding income which under the Code is exempted from taxation by the State.

Personal Income Tax

Note: Taxation of Income (Chapter 77) refers only to taxation on income generated from interest from bonds, notes, other securities and dividends (Section 77:47).

NEW JERSEY

Commuter's Income Tax

Taxpayer's may elect to compute gross income from Federal adjusted gross income by applying certain modifications (Section 54:8A-36).

NEW MEXICO

Income Taxes in General

Subsection 72-15A-2 (5):

> "Base income" means that part of the taxpayer's income generally defined as Federal taxable income and upon which the Federal tax is calculated. Net income is base income adjusted by parts 1 and 2 of Subsection T.

Severance Taxes

1. Excise Tax: There is imposed on any severer of natural resources in New Mexico an excise tax of 3/4 of 1% except potash and molybdenum (Subsection 72-16A-23 (A)(1)). The tax imposed in Section 72-16A-23, shall be referred to as the "Resources Tax." (Subsection P).

2. Severance Tax[1]: An excise tax is imposed on the taxable value or the quantity of natural resources severed and saved (Section 72-18-3). "Natural resources" means timber and any metalliferous or nonmetalliferous mineral product, combination or compound but does not include oil, gas, liquid hydrocarbon, individually or any combination thereof, or carbon dioxide (Section 72-18-2). The taxable value of all severed natural resources, except coal and uranium, is the gross value of the severed resource less rental or royalty payments belonging to the United States or New Mexico (Section 72-18-4). The taxable event is the severance of a natural resource, except that for coal and uranium, the taxable event is sale, transportation out of New Mexico or consumption, whichever occurs first (Sections 72-18-4, 72-18-6 and 72-18-7). The taxable value for uranium-bearing material is the sales price per pound of the content of U_3O_8 contained in the severed or processed uranium. It is presumed that the taxable value means the total amount of money and/or other consideration received for the severed uranium ore or processed uranium "yellowcake" concentrate. If the severed uranium ore or "yellowcake" concentrate is not

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[1]From State Tax Guide, CCH, paragraph 45-667.

sold as ore or concentrate, the gross value is the value of U_3O_8 in ore or "yellowcake" concentrate represented in the final product. Taxable value of uranium-bearing materials is the gross value without any deduction.

The tax is levied at the following rates (Sections 72-18-5 to 72-18-7):

Natural Resources, except Coal and Uranium

A. All nonmetallic minerals in this study . . . . 1/8 of 1%
B. Gold, silver and other metals in this study . . 1/8 of 1%

Coal (per ton)

A. Steam Coal . . . . . $.38
B. Metallurgical Coal . . . . . $.18

On July 1, 1978 and on July 1 of each succeeding year, the tax rate on coal will be increased by a surtax. The surtax rate will be computed by the appropriate taxing authority by multiplying the dollar amount of the severance tax by a percentage equal to the percentage rise in the consumer price index from the calendar year 1976 to the calendar year just prior to the year in which the surtax rates are computed (Section 14, Chapter 102, Laws 1977).

Uranium

If taxable value per pound of U_3O_8 is:

Over	But Not Over	The Tax Per Pound Is:
$ 5.00	$ 7.50 . . .	$ .05 plus 1.6% of excess over $ 5.00
7.50	10.00 . . .	.09 plus 2.0% of excess over 7.50
10.00	15.00 . . .	.14 plus 3.0% of excess over 10.00
15.00	20.00 . . .	.29 plus 4.0% of excess over 15.00
20.00	25.00 . . .	.49 plus 5.0% of excess over 20.00
25.00	30.00 . . .	.74 plus 7.0% of excess over 25.00
30.00	40.00 . . .	1.09 plus 9.0% of excess over 30.00
40.00	50.00 . . .	1.99 plus 12.5% of excess over 40.00
50.00		3.24

On July 1, 1978 and on July 1 of each succeeding year, the tax rate on the uranium will be increased by a surtax. The surtax rate will be computed by the Commissioner of Revenue by multiplying the dollar amount of the severance tax by a percentage equal to 25% of the percentage rise in the consumer price index from the annual average for calendar year 1976 to the annual average for the calendar year just prior to the year in which the surtax rates are computed. The surtax will apply only to uranium-bearing material containing U_3O_8 having a taxable value per pound equal to or greater than $50 (Section 14, Chapter 102, Laws 1977).

3. Oil and Gas Severance Tax; rates (Subsection 72-19-4 (A)):

   1. $.05 on each 1,000 cubic feet (mcf) of natural gas at a pressure base of 15,025 pounds per square inch absolute and at a temperature base of 60°F.

   2. $.45 on each standard barrel of oil.

   3. $.45 on each standard barrel of other liquid hydrocarbon removed from natural gas at or near the wellhead.

   On July 1, 1978 and July 1 of each succeeding year, the tax rate will be increased by a surtax. The surtax rate will be computed by the appropriate taxing authority by multiplying the dollar amount of the severance tax by a percentage equal to the percentage rise in the consumer price index from the calendar year 1976 to the calendar year just prior to the year in which the surtax rates are computed (Section 14, Chapter 102, Laws 1977).[2]

   A temporary provision provides for a credit against oil and gas severance taxes imposed in Sections 12 (72-19-4) and 14 (the text of which is on page 1A-2A of Chapter 102, Laws 1977).

4. Oil and Gas Emergency School Tax Act; Privilege tax levied; rate (Section 72-21-4): The measure of the tax shall be the 2.55% of the taxable value.

   From Section 72-21-3: In the event of any conflict between the provisions of the Emergency School Tax Act, the Gross Receipts and Compensating Tax Act or the Resources Excise Tax Act, the provisions of only one of these laws shall apply in levying a privilege tax against persons engaged in the business of severing oil, natural gas or liquid hydrocarbons from the soil of New Mexico.

5. Oil and Gas Conservation Tax[3]: Persons subject to tax, rates, collection - A tax is imposed on the value of 1) all oil, natural gas, liquid hydrocarbons and geothermal energy produced, less royalties due to the United States, the State and any Indian tribe, and less the reasonable expense of transporting the product to market; 2) coal as determined under the

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[2]From State Tax Guide, CCH, paragraph 45-668.

[3]From State Tax Guide, CCH, paragraph 45-675.

resources excise tax, less royalties due any Indian tribe; and 3) uranium at 25% of the value determined under the resources excise tax less royalties due any Indian tribe at the rate of 19/100 of 1%; except when the unencumbered balance in the oil and gas reclamation fund equals or exceeds $1 million for any one month period, computed after payment of the tax for that month, the tax shall be reduced by 1/100 of 1% and when the unencumbered balance is less than or equal to $500,000, the tax shall be increased by 1/100 of 1%. Reports and payment of the tax are filed with the Oil and Gas Accounting Commission within 65 days after the close of the calendar month (Chapters 102, 237, Laws 1977; Chapter 289, Laws 1975; Sections 72-20-4, 72-20-5, 72-20-10, and 72-20-11).

Property Taxes

1. Oil and Gas Ad Valorem Production Tax; Ad Valorem tax levied; rate (Section 72-22-4): There is levied and shall be collected by the Oil and Gas Accounting Commission an ad valorem tax based on the assessed value of products which are severed and sold from each production unit at the rate certified to the Commission and which rate is to be levied against the assessed value of all property located in the taxing district in which products are severed.

2. Property Tax Exemption - Property not subject to valuation for property tax purposes under the Property Tax Code (Subsection 72-29-3 B (3)): Oil and gas property subject to valuation and taxation under the Oil and Gas Ad Valorem Production Tax Act (72-22.1 to 72-22-27) and the Oil and Gas Production Equipment Ad Valorem Tax Act (72-24-1 to 72-24-20). Also exempt is property exempt from property taxation under the Federal code (Subsection B (2)).

NEW YORK

Personal Income Tax

The New York adjusted gross income of a resident individual (Tax, Section 612):

> Subsection A: General. The New York adjusted gross income of a resident individual means his Federal adjusted gross income as defined in the laws of the United States for the taxable year, with modifications.
>
> Subsection I: No deduction is allowed in respect to percentage depletion pursuant to Section 613 or 613A of the Internal Revenue Code.

Franchise Tax on Business Corporations

Definitions (Tax, Subsection 208 (9)):

> The term "entire net income" means total net income from all sources, which shall be presumably the same as the entire taxable income which the taxpayer is required to report to the United States Treasury Department, or which the taxpayer would have been required to report, if it had not made an election under Subchapter S of Chapter One of the Internal Revenue Code with modifications required.

Permit Fee

New York Mined Land Reclamation Law; Permit fee (Environmental Conservation Law, Section 23-2711):

> Subsection 1: Permit required for any operator who mines more than 1,000 tons of minerals from the earth within 12 successive calendar months to engage in mining, unless a permit for such mining operation has first been obtained from the Department (of Energy Conservation) as provided in this section.
>
> Subsection 2: Application for a mining permit shall be submitted annually, in writing on forms prescribed by the Department (of Energy Conservation) and accompanied by a fee of $100 provided that an applicant may secure a 3 year permit upon the payment of a fee of $200.

Subsection 5: A permitee wishing to have his permit amended may file an amended application with the Department accompanied by a fee of $50.

Subsection 8: Permits shall expire either annually or triannually as provided in Subdivision S of this section (Section 23-2711). The application to renew an annually expiring permit shall be accompanied by a fee of $50 and the application to renew a triannually expiring permit shall be accompanied by a fee of $100.

NORTH CAROLINA

Personal Income Tax

Individual Income Tax; Deductions (Section 105-147):

> Subsection 12: An allowance for depreciation and obsolescence of property and an allowance for depletion in the case of mines, oil and gas wells and other natural deposits, as provided for in the Internal Revenue Code of 1954.

Corporate Income Tax

Corporations (Section 105-130.3):

> The net income or net loss of a corporation doing business in North Carolina shall be the same as "taxable income" as defined in the Internal Revenue Code with modifications.

Franchise or Privilege Tax on Domestic & Foreign Corporations

Subsection 105-122 (B):

> Reserves for depreciation shall be treated as deductible liabilities.

Severance Tax

Oil and Gas Conservation; Production of crude oil and gas regulationed; tax assessments (Section 113-387):

> The Department of Natural Resources and Community Development is authorized to assess from time to time against each barrel of oil produced and saved, a tax not to exceed 5 mills on each barrel.

Permit Fee

Drilling or Abandoning Well fee (Section 113-395):

Drilling well fee:	$50 per well
Abandoning well fee:	$15 per dry hole plugged

NORTH DAKOTA

Personal Income Tax

Adjustments to taxable income for individuals (Subsection 57-38-01.2 (1)):

The taxable income of an individual is as computed pursuant to the provisions of the United States Internal Revenue Code of 1954 as amended with modifications.

Corporate Income Tax

Adjustment to taxable income for corporations (Subsection 57-38-01.3 (1)):

The taxable income of a corporation as computed pursuant to the provisions of the Internal Revenue Code of 1954 as amended, with modifications.

Severance Taxes and Property Tax Exemptions

1. Oil and Gas Gross Production Tax. Gross Production Tax (Section 57-21.02): A tax of 5% of the gross value at the well is hereby levied upon all oil and gas produced within the State of North Dakota, less the value of any part hereof, the ownership or right to which is exempt from taxation. The tax hereby levied shall attach to and is hereby levied upon the whole production, including what is commonly known as the royalty interest.

   The Gross Production Tax is in lieu of ad valorem taxes (Section 57-51-03). Also, equipment used in production is exempt from ad valorem taxation (Section 57-51-04).

2. Severance Tax on Coal (Section 57-61-01): There is imposed upon all coal severed for sale or for industrial purposes by coal mines within the state a tax in an amount to be determined as follows:

   a. $.65 per ton of 2,000 pounds.

   b. For every point increase in the index of of wholesale prices for all commodities prepared by the United States Department of Labor, Bureau of Labor Statistics, the amount of the severance tax provided in Subsection 1

shall be increased $.01 per ton of 2,000 pounds. For the purposes of this computation a fractional point increase shall be disregarded if less than one half point and treated as one full point if one half point or more. The state tax commissioner shall determine such increases based upon increases in the wholesale price index from the level of such index as of June 1977 to the level of such index as of the last month of the quarter immediately preceding the quarter for which any taxes are due. At no time shall the amount of the severance tax be reduced. If the wholesale price index declines, the severance tax shall remain at the highest level determined prior to such decline, and shall remain at such level until ufrther increases are warranted because of further increases in wholesale price index beyond the point at which the last increase was determined.

Such severance tax shall be in lieu of any sales or use taxes imposed by law.

OHIO

Personal Income Tax

Definitions (Subsection 5747.01 (A)):

> "Adjusted Gross Income" means adjusted gross income as that term is defined and used in the Internal Revenue Code with modifications. The income tax is levied on every individual and every estate residing in or earning or receiving income in Ohio (Section 5742.02).

Severance Taxes and Permit Fees

1. Resource Severance Tax[1]: An excise tax is levied on the privilege of engaging in the severance of natural resources from the soil or water of Ohio. The tax is imposed on the severer (Section 5749.02). The tax does not apply to resources severed in Ohio from land or water owned by the severer if used on the land from which taken as a part of the improvement of, or use in, his homestead, provided such resources have a yearly cumulative market value not greater than $1,000 (Section 5749.03).

   Tax rates are as follows (Section 5749.02):

Coal	$.04 per ton
Oil	$.03 per barrel
Natural gas	$.01 per 1,000 cubic feet

   License or Permit - Severers must obtain a license or permit from the Tax Commissioner. The license or permit is valid from the date the application is accepted until revoked by the Commissioner. The license fee is $50 (Section 5749.04).

2. Coal Excise Tax[2]: The tax applies to each consumer storing, using or otherwise consuming in excess of 200 tons of coal in Ohio per year for use directly in generating steam or electric power (Section 5751.02).

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[1]From State Tax Guide, CCH, paragraph 45-726.

[2]From State Tax Guide, CCH, paragraph 45-727.

The tax is $.40 per ton for coal delivered with a sulfur contact of less than one half of 1% by weight; 35¢ per ton for coal with a sulfur content of one half of 1% or more but less than 1%; $.30 per ton for coal with a sulfur content of 1-1/2% or more. The tax on coal processed to remove sulfur before combustion is calculated on the basis of its sulfur content before processing (Section 5751.02).

OKLAHOMA

Income Taxes in General

Definitions (Title 68, Subsection 2353 (10)):

"Taxable income" with respect to any taxpayer means "taxable income" as defined in the Internal Revenue Code as applies to such taxpayer or any income of such taxpayer; provided, in the case of income derived from oil and gas well production, any taxpayer at his option, may deduct as an allowance for depletion, in lieu of other calculation of depletion based on the cost of the oil and gas deposit, 22% of the gross income derived from the properties during the taxable year, but such allowance shall not exceed 50% of the net income of the taxpayer (computed without allowance for depletion) from the property; if a depletion allowance is allowed as a deduction in arriving at the adjusted gross income in the case of an individual, or taxable income for corporations and trusts, or distributable income of partnerships by the Internal Revenue Service, the percentage depletion so calculated shall in no event be a duplication of depletion allowed on the Federal income tax return.

"Adjusted gross income" means "adjusted gross income" as defined in the Internal Revenue Code (Subsection 11).

From Title 68, Subsection 2357 (D)(1): There is allowed as a credit against income taxes, the excise taxes levied by the State of Oklahoma, gold, silver, petroleum or other crude oil or other mineral, oil, natural gas and/or casinghead gas or coal where the combined total of such taxes amounts to more than 7.085% of the gross value of production of the mineral, oil, gas or coal produced, as follows:

a. If, under the terms of a contract between a producer and his purchaser which has continued in force since December 31, 1976, the excise taxes in excess of 7.085% are not reimbursed to a taxpayer, then that unreimbursed portion of the excise taxes in excess of 7.085% shall be allowed as a direct credit against income taxes owed by the taxpayer to the State of Oklahoma.

b. If the taxpayer elects to take the tax credit, the credit shall not be limited to the tax liability under Section 2355 of this title. If the tax credit exceeds the liability, the taxpayer may apply for a refund.

Severance Taxes

1. Oil, Gas and Mineral Gross Production Tax[1]: A tax is levied on the gross production of gold, silver, or petroleum or other crude oil or other mineral oil, natural gas or casinghead gas and uranium ore (Title 68, Sections 1001 and 1020). An excise tax is imposed on each barrel of petroleum oil and on all natural and/or casinghead gas produced in Oklahoma which is subject to the gross production tax (Title 68, Sections 1101 and 1102).

   The taxes on uranium, oil, gas or casinghead gas are to be paid by producers on products not sold at time of production and by purchasers on products sold at time of production; if tax is paid by purchasers, deduction of tax paid is allowable in making settlements with producers or royalty owners and of paid by producers, such producers may deduct taxes on royalty products from amounts due owners (Title 68, Sections 1009, 1021, 1101 and 1102). The gross production tax on other taxables hereunder is paid by producers; such producers may deduct taxes on royalty products from amounts due owners (Title 68, Section 1009).

   Rates - 3/4 of 1% of the gross value of gold and silver; 7%[2] on petroleum or other crude or mineral oils, natural and/or casinghead gas (Title 68, Section 1001), plus 0.085 of 1% of the gross value of each barrel of petroleum oil and 0.085 of 1% of the gross value of natural and/or casinghead gas produced in Oklahoma (H.B. 1929, Laws 1976; Title 68, Sections 1101 and 1102). The tax rate on uranium is 5% (Title 68, Section 1020).

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[1] From State Tax Guide, CCH, paragraph 45-741.

[2] An exemption from the increase in the tax rate from 5% to 7%, which took effect May 1, 1971, is provided for the first $150 of monthly gross production from each low-producing well, i.e., producing less than 3 barrels of oil per day or less than 1.5 million cubic feet of gas per month (Title 68, Section 1023).

If the price for which oil, gas or casinghead oil is sold is less than the price then prevailing for like products, the Tax Commission may base the tax on the prevailing price for like products (Title 68, Section 1009).

Exemption; refund (Title 68, Section 1106): Tne provisions of the gross production tax law in respect to refunds of such tax on the production derived from restricted Indian lands and lands owned by the United States, the state, counties, citites, towns and shcool districts, and therefore exempt from taxation, shall apply to petroleum excise tax on such exempt interest in said production from said lands (Laws 1965, Chapter 442, Section 2).

2. Tax on oil recovered or from unknown sources (Title 68, Subsection 1003A): It shall be the duty of the Tax Commission to collect (in addition to the gross production tax) 12-1/2% of the gross value of all petroleum, crude oil or other mineral oil reported to the Tax Commission as recovered from streams, lakes, ponds, ravines and other natural depressions to which oils shall have escaped or therein was found; and 12-1/2% of the gross value of all petroleum crude oil or other mineral oil which is reported to the Tax Commission and which report or reports does not disclose the actual source of said petroleum, crude oil or other mineral oil; and the Tax Commission shall hold the proceeds thereof for 12 months in its Depository Account with the State Treasurer, during which time the rightful owner or owners of the royalty interest therein upon proper application and satisfactory proof made to the Tax Commission, shall be paid their proper interest or interests out of said Depository Account; otherwise, the Tax Commission shall, after the lapse of one year from the collection of any such sum, distribute the same as provided by law for the distribution of gross production taxes.

3. Natural Gas and Casinghead Gas Conservation Excise Tax[3]: Effective January 1, 1978, a tax is levied on all natural gas and/or casinghead gas produced and saved, excluding non-taxable royalty, at the rate of $.07 per 1,000 cubic feet (mcf), less 7% of the gross value of each such mcf of natural gas and/or casinghead gas. The tax rate shall not exceed 1/3 of the gross value of each such mcf of the natural gas and/or casinghead gas so produced and saved but shall never be less than zero (H.B. 1441, Laws 1977; Title 68, Section 1108).

Property Taxes

Exemptions provided for equipment, machinery, tools, materials or property which is used in the production of minerals, oil and gas upon which the gross production tax is paid (Title 68, Sections 1001 and 1001A).

OREGON

Personal Income Tax

General definitions (Subsection 316.022 (57)):

> "Taxable income: means the taxable income defined in Subsection A and B, Section 63, Internal Revenue Code of 1954, with modifications. Under Subsection 316.067 (2)(D) as a modification of taxable income, there shall be added to Federal taxable income the amount of any allowance for depletion in excess of the taxpayer's adjusted basis in the property depleted, deducted on the taxpayer's Federal income tax return for the taxable year, pursuant to Sections 613, 614 and 615 of the Internal Revenue Code of 1954.

Corporation Excise Tax (Chapter 317)

Deductions are allowed in computing net income for depreciation (Section 317.285) and Depletion (Section 317.290). Basis for depletion (Section 317.290):

> Subsection 1: In computing net income, there shall be allowed as a deduction, in the case of mines, oil and gas wells, and other natural deposits, except in the case of metal mines as provided in Subsection 3, of this section, a reasonable allowance for depletion according to the peculiar conditions in each case. Such reasonable allowance in all cases shall be computed on the cost of the property, and in the case of property acquired prior to January 1, 1929, the basis shall be the cost less depletion property charged against the property to January 1, 1929.
>
> Subsection 3: In the case of metal mines, a taxpayer may deduct an amount equal to 15% of the gross income from the property during the taxable year, but such deduction shall not in any case exceed 50% of the net income of such taxpayer (computed without allowance for depletion) from the property. In its first return made under this chapter (for a taxable year beginning after December 31, 1938), the taxpayer must state as to each property with respect to which the taxpayer has any item of income or deduction (in case of metal mines) whether it elects to have depletion allowance for each such property for the taxable year computed with or without reference to percentage depletion. An election

once exercised under this section cannot thereafter be changed by the taxpayer, and the depletion allowance in respect to each such property will for all succeeding taxable years be computed in accordance with the election so made.

Corporation Income Tax (Chapter 318)

A tax upon net income other than income which the corporation is subject to the tax imposed by the Corporation Excise Tax Law of 1929 according to or measured by its net income (Subsection 318.20 (1)). Section 317.290 (deduction for depletion) is incorporated into corporation income tax law (Section 318.030). Section 318.044 provides for a depreciation allowance in computing net income.

Permit Fees

1. Mining with Dredging Machine; License required (Subsection 517.621 (18)): The application for a license shall be accompanied by an application fee of $50 for each 50 acres of land or fraction thereof, covered by the application.

2. Reclamation of Mining Lands; Fees (Section 517.800):

   a. Each application for an operation permit under Section 517.750 to 517.900 and Subsection 517.990 (4), shall be accompanied by a fee of $265.

   b. Annually on the anniversary date of each such operating permit, each holder of an operating permit shall pay to the State Department of Geology and Mineral Industries, a fee of $15.

3. Conservation of Oil and Gas: A permit fee of $100 is required for drilling an oil or a gas well (Section 520.025).

PENNSYLVANIA

Corporate Net Income Tax

Definitions (Title 72, Subsection 7401 (3)(l)):

> "Taxable income" is defined as the taxable income returned to and ascertained by the Federal Government with some modifications.

Corporation Income Tax

Definitions (Title 72, Subsection 7501 (3)(l)):

> "Taxable income" is defined as in Subsection 7401 (3)(l).

License Fee

Open Pit Mining (Title 52, Section 1396.3A):

> The initial application for licensure shall be accompanied by a fee of $50 in the case of persons mining 2,000 tons or less of marketable minerals, other than coal, per year and a fee of $500 in the case of persons mining coal or more than 2,000 tons of other marketable minerals per year. It shall be the duty of all persons licensed as surface mining operators to renew such license annually, and pay for each such license renewal the sum of $50 in the case of persons mining 2,000 tons of less of marketable minerals other than coal and the sum of $300 in the case of all other operators. The application for renewal of a license as a surface mining operator shall be made annually on or before January 1 of the next succeeding year.

RHODE ISLAND

Personal Income Tax

Rhode Island income of a resident individual (Subsection 44-30-12 (A)):

> General - The Rhode Island income of a resident individual means his adjusted gross income for Federal income tax purposes, with modifications.

Business Corporation Tax

Net income defined (Subsection 44-11-11 (A)):

> "Net income" shall mean gross income as defined in the Federal corporation tax law applicable to the taxable year, . . . minus all items deductible under the Federal corporation income tax law applicable to the taxable year with certain modifications.

SOUTH CAROLINA

Income Taxes in General

Deductions which are allowable in computing net income (Section 12-7-700):

> Deductions for depreciation and depletion are allowed under Subsection 8. Depletion is based on Sections 611, 612 and 613 of the Internal Revenue Code. Depreciation is based on Section 167 and 179 of the Internal Revenue Code.

SOUTH DAKOTA

Severance Taxes

1. Oil and Gas Severance Tax (Section 10-39A-1): For the mining or extracting of oil or gas in South Dakota, each owner thereof, including without limitation owners of landowner's royalty, overriding royalty, net profits and working interests, shall pay to the state of South Dakota at the rate of 3% of the gross value produced and sold at the wellhead, his proportionate share of a severance tax based upon his ownership (before reduction, if any, for costs of production) of the oil or gas, provided that the tax shall not be levied against federal, state or local governmental royalty interest owners.

   "Gross value" is defined in Section 10-39A-2.

   The severance tax is in lieu of mineral extraction license tax and other mineral taxes (Section 10-39A-7).

2. License Tax required for extracting minerals; rate (Section 10-39-24): For the privilege of mining or extracting minerals or mineral products in South Dakota, every person in the business of mining or extracting minerals or mineral products in South Dakota, shall pay to the state a license tax equal in amount to 4% of the net profits from minerals or mineral products mined or extracted, as determined by this Chapter in Section 10-39-26.

   Any person mining or extracting minerals or mineral products with a market value less than $100,000 per annum shall be totally exempt from the provisions of this Chapter in Section 10-39-25).

TENNESSEE

Excise Tax on Corporate Earnings

"Net earnings" defined (Section 67-2704):

The term "net earnings" is defined as Federal taxable income with modifications.

Subsection 3:

There shall be added to the Federal taxable income any deduction made pursuant to Sections 611 to 617 of the Internal Revenue Code to the extent the deduction when added with similar deductions in prior years exceeds the cost of the property.

Severance Taxes and Drilling Fee

1. Oil Production Tax. Privilege tax on production, exceptions (Section 60-116): $.05 on each 50 gallon barrel of crude oil sold or processed and any products of which processing are sold, and 5% of the sale price of any gas sold (but not including the following: 1) free gas used by the property owner or tenant under the terms of the lease, unless it be in lieu of cash payment; 2) gas which has been injected into the ground for underground storage and thereafter withdrawn). Also, under Section 60-111 a fee is required before the drilling of any well of $10 per thousand feet, or fraction thereof, of the depth of the well.

2. Coal Severance Tax; rate of tax (Section 67-5902): $.20 per ton of all coal products severed from the ground in Tennessee.

TEXAS

Severance Taxes

Occupation Tax on Oil; rate (Taxable General, Article 4.02):

There is levied an occupation tax on oil produced within Texas of $.046 per barrel of 42 standard gallons. Said tax shall be based upon the total barrels of oil produced or salvaged from the earch or waters of this state without any deductions and shall be computed (a) by tank tables showing 100% of production and exact measurements of contents or (b) by meter or by other measuring devise which accurately determines the volume of "production" or "total oil produced." Provided, however, that the occupation tax herein levied on oil shall be 4.6% of the market value of said oil whenever the market value thereof is in excess of $1 per barrel of 42 standard gallons. The market value of oil, as that term is used herein, shall be the actual market value thereof plus any bonus or premiums for other things of value paid therefore or which such oil will reasonably bring if produced in accordance with the laws, rules and regulations of the State of Texas.

1. Oil and Gas. (Natural Resources Code, Chapter 81 - Railroad Commission of Texas; Tax Levy (Subsection 81.111 (A)): A tax is levied on crude petroleum produced in Texas in the amount of 3/16¢ on each barrel of 42 standard gallons. Proceeds from the tax shall be used for the administration of the state's oil and gas conservation laws (Section 81.113).

2. Natural Gas Production Tax (Natural Resources Code, Article 3.01): Every producer is subject to tax on the market value of gas produced and saved within Texas. In determining the market value of gas there shall be excluded (a) gas lawfully injected into the earth, (b) lifting oil, and (c) gas lawfully vented or flared in connection with the production of oil, except where gas injected into the earth is sold for that purpose.

   Rate - 7-1/2% of market value; except that tax on sweet and sour natural gas shall not be less than 121/1500 of 1¢ per 1,000 cubic feet.

Permit Fees

Surface Mining and Reclamation Act. Surface Mining permits (Natural Resources Code, Subsection 131.135 (A)):

> Each application for a surface mining permit shall be accompanied by an initial fee as determined by the Railroad Commission of Texas in accordance with a published fee schedule.
>
> Subsection B: An application fee shall be based as nearly as possible on the actual or anticipated cost of reviewing the application but shall be not exceed $200.
>
> Subsection C: After approval but before issuance of the surface mining permit, the applicant shall pay $10 per acre of the affected land, which may be paid in annual installments, apportioned over the term of the permit. The fee for a renewal application shall be based as nearly as possible on the actual or anticipated cost of reviewing the application, but in no event shall the amount exceed $200 (Subsection 131.147 (B).

UTAH

Personal Income Tax

State taxable income of a resident individual (Section 59-14A-11):

> The term "state taxable income" in the case of a resident individual means his Federal taxable income (defined subsequently), with modifications.
>
> "Federal taxable income" means taxable income as currently defined in Subsections (A) and (B), Section 63, Internal Revenue Code, except that the deduction for personal exemptions and the standard deduction, including the low income allowance, shall be determined according to the provisions of the Internal Revenue Code as of December 31, 1974 (Section 59-14A-10).

Franchise and Privilege Taxes

Deduction from gross income (Section 59-13-7):

> Allowance for depreciation (Subsection 7) and depletion (Subsection 8) are provided.

Basis for determining depreciation, depletion or obsolescence:

> Subsection 9A: The basis upon which depletion, depreciation, exhaustion, wear and tear, and obsolescence are allowed in respect of any property shall be the same as is provided in Section 59-13-13 for the purpose of determining the gain or loss upon the sale or other disposition of such property, except as hereinafter in this section provide.
>
> Subsection 9B: The allowance for depletion shall be 33-1/3% of the net income from the property during the taxable year computed without allowance for depletion or on the basis provided in Subsection 9A, as the taxpayer may elect. The basis which the taxpayer elects under this subsection shall be the basis used in subsequent accounting periods and shall be changed thereafter only with the consent of the tax commission.

Severance Taxes

1. Mining Occupation Tax[1]: Persons engaged in the business of mining or producing ore or metal containing gold, silver, iron, uranium or other valuable metal in the state pay an occupation tax based on the gross amount received for or the gross value of ore sold or delivered, less deductions for transportation to place of sale and sampling, assaying, milling and smelting ores. Persons owning an interest in oil, gas or other hydrocarbons produced in the state pay a tax based on the value of the product at the well, excluding oil or gas used in drilling. An annual exemption upon $50,000 in gross value of ore or value at the well of oil, gas or other hydrocarbons is allowed to each mine.

   Rate - 1% of the gross amount received for or the gross value of ore or metals sold and 2% of the value at the well of oil, gas and other hydrocarbon.

2. Conservation of Oil and Gas. Tax on oil and gas at well (Section 40-6-14): For the purposes of paying the expenses of administration of the Oil and Gas Conservation Act, there is levied and assessed on the market value at the well of all oil and gas produced and save, sold or transported from the premises in Utah where produced, a charge not to exceed 2 mills on the dollar value. (The current rate is 1-1/2 mills.[2])

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[1]From State Tax Guide, CCH, paragraph 45-861.

[2]From State Tax Guide, CCH, paragraph 45-865 (footnote).

VERMONT

Personal Income Tax

Definitions (Title 32, Subsection 5811 (1)):

> "Adjusted gross income" means, for any taxable year, and for any individual the adjusted gross income of the individual, for the taxable year determined under the laws of the United States.

Corporate Income Taxes

Definitions (Title 32, Subsection 5811 (18)):

> "Vermont net income" means, for any taxable year and for any corporate taxpayer, the taxable income of the taxpayer for that taxable year under the laws of the United States, excluding income which under the laws of the United States is exempt from taxation by the states, with modifications.

Property Taxes

Mines Exempted (Title 32, Section 3834):

> If the amount invested exceeds $1,000, mines may be exempted from taxation for a period not exceeding 10 years from the commencement of business, if the town in which they are located so votes.

VIRGINIA

Personal Income Tax

Virginia taxable income (Subsection 58-151.013 (A)):

General - The Virginia taxable income of a resident means his Federal adjusted gross income for the taxable year, with modifications.

Corporate Income Taxes

Virginia taxable income (Section 58-151.032):

The Virginia taxable income for a taxable year shall mean the Federal taxable income for such year for a corporation (savings and loan associations excluded from this section), with modifications.

Permit Fees

1. Permits for certain mining operations; Reclamation of Land. Permits required; fee (Section 45.1-181): It is unlawful for any operator to engage in any mining operation in Virginia, without having first obtained from the Department of Conservation and Economic Development a permit to engage in such operations and paying a fee therefor of $12 per acre for every acre of land to be affected. Also, there is an annual renewal permit fee of $6 per acre of land to be affected by the total operation in the next ensuing year.

   Exemption for restricted mining (Section 45.1-180.4): Any operator engaging in mining and disturbing less than one acre of land and removing less than 500 tons of minerals at any particular site, is exempt from all mining permit fees and renewal fees.

2. Oil and Gas. Permit to drill required; fee (Section 45.1-115): The application for a permit must be accompanied by a fee of $25.

3. Surface Mining of Coal. Prospecting Permit (Subsection 45.1-201 (A)(1)): The application for a permit shall be accompanied by a fee of $10 per acre based on the acreage estimated to be disturbed during the prospecting.

   Surface Mining permit (Section 45.1-202): The application for a permit shall be accompanied by a fee of $12 per acre of the area of land to be affected by the total operation for which plans have been submitted (Subsection E). A renewal fee of $6 per acre shall be payable each year on the anniversary date of the permit for the amount of the undisturbed land remaining on the original permit (Subsection F).

WASHINGTON

Permit Fees

1. Surface Mining Permit Fees (Section 78.44.110): The basic fee for the permit shall be $25 per permit year (Subsection 1). In addition, there shall be a $5 per acre fee for all acreage exceeding the 10 acres which was newly disturbed by surface mining during the previous permit year (Subsection 2).

2. Oil and Gas Conservation. Drilling Permit required; fee (Section 78.52.120): Any person desiring or proposing to drill any well in search of oil or gas, before commencing the drilling of any such well, must notify the Conservation Committee upon such a form as the Committee may prescribe and shall pay to the State Treasurer a fee of $100 for each such permit.

WEST VIRGINIA

Personal Income Tax

West Virginia gross income of resident individual (Subsection 11-21-12 (A):

> General - The West Virginia adjusted gross income of a resident individual means his Federal adjusted gross income as defined in the laws of the United States for the taxable year with modifications.

Corporation Net Income Tax

Meaning of terms (Subsection 11-24-3 (11)):

> The term "West Virginia taxable income" means the taxable income of a corporation as defined in the laws of the United States for Federal income tax purposes, with modifications.

Severance Tax

Severance, extraction and production of coal and other natural resource products (Section 11-13-2A):

> Upon every person exercising the privilege of engaging or continuing within West Virginia in the business of severing, extracting, reducing to possession and producing for sale, profit or commercial use any natural resource products, the amount of such tax to be equal to the value of the articles produced as shown by the gross proceeds derived from the sale thereof by the producer, except as otherwise provided, multiplied by the respective rates as follows: Coal, 3-1/2%; oil, 4.34%; natural gas, in excess of the value of $5,000, 8.63%; sand, gravel or other mineral product not quarried or mined, 4.34%; timber, 2.2%; other natural resource products in this study, 2.86%. The measure of this tax is the value of the entire production in this State, regardless of the place of sale or the fact that the delivery may be made to points outside of the State: Provided, however, that for the purposes of the production of oil classification, and the production of natural gas classification, as set forth in this section, multiple co-owners of oil or natural gas, in place, lessees thereof, or others being vested

with title and ownership to part or all of the oil and gas, as personal property, immediately after severance, extraction, reduction to possession and production, except royalty recipients, in kind, shall be deemed to be a "group or combination acting as a unit" and one "person," as defined in Section One (Section 11-13-1) of this article, if not otherwise defined therein, whenever engaged in the business of producing oil or natural gas through common use, by joint or separately executed contracts, of the same independent contractor driller or operator's services; and notwithstanding provisions of private contracts for separate deposit of gross receipts in separate members' accounts or for members of such group or combination to take in kind any proportionate part of such natural resources.

Lessees, sublessees or other denominated lessees are considered to be producers of all of the oil or natural gas produced, regardless of any payment, in kind, in cash or otherwise are taxable on their gross income pursuant to the provisions of Section 2I (Section 11-13-2I) of this article.

Permit Fees

1. Coal Mines (Subsection 22-2-63 (A)): The operator of a coal mine must pay a fee of $10 with his application for a certificate of approval to open or reopen a mine. Mines producing coal solely for the operator's use shall be issued a permit without charge if coal production will be less than 50 tons a year.

2. Oil and Gas Wells. Special Reclamation Fund; fees (Section 22-4-12A): Every applicant for a permit to drill a well must, before the permit is issued, pay to the deputy director for oil and gas, a special reclamation fee of $100 for each well to be drilled.

3. Oil and Gas Conservation. Special Oil and Gas Conservation Tax (Section 22-4A-13): Owners of leases on oil or gas for the exploration, development or production of oil or natural gas must pay to the Oil and Gas Conservation Commission a special oil and gas conservation tax of $.03 for each acre under lease, excluding from the tax the first 25,000 acres.

WISCONSIN

Personal Income Tax

Definitions (Section 71.02):

"Wisconsin adjusted gross income" means Federal adjusted gross income with modification (Subsection E).

"Wisconsin taxable income" of a resident individual means Wisconsin adjusted gross income less itemized deductions or less the Wisconsin standard deduction (Subsection D).

Corporate Income Tax

Deductions from gross income of corporations include allowances for depreciation and depletion (based on cost)(Subsection 71.04 (2)). An allowance for percentage depletion is provided under Section 71.046:

1. In lieu of depletion based on cost, there shall be allowed mines, which have a gross income from sales of ore or ore products in calendar year 1976, or the corresponding fiscal year of at least $100,000, and which are owned by corporations producing ores of lead, zinc, copper or other metals except iron, but including sulphur and iron resulting from the processing of lead, zinc, copper or other metals except iron, or mills finishing the products of such mines for the smelter, or smelters located in Wisconsin processing the products of the lead, zinc, copper or other metal mines, except iron mines, or mills the following allowance for depletion.

    a. On the first $100,00 of gross income from sales of ore or ore products or any part thereof, 15%;

    b. On the second $100,000 of gross income from sales of ore or ore products or any part thereof, 10%;

    c. On the third $100,000 of gross income from sales of ore or ore products or any part thereof, 5%;

    d. On all gross income from sales of ore or ore products in excess of $300,000, 3%.

1a. For taxes paid for calendar year 1977 or the corresponding fiscal year, a depletion allowance shall be allowed as a deduction which is 90% of the amount computed under Subheading 1. The percent of the amount computed under Subheading 1 which shall be allowed as a deduction shall be reduced 10 percentage points each year for the nine succeeding years after calendar year 1977 or the corresponding fiscal year until the amount deducted shall be zero.

2. In no case shall the depletion allowance provided in Subheading 1 for taxes paid for calendar year 1977 or the corresponding fiscal year be in excess of 45% of net income as computed under this chapter without the benefit of the depletion allowance provided by this section. The maximum percentage of net income allowed as a depletion allowance under this section shall be reduced 5 percentage points each year for the 9 succeeding year after calendar year 1977 or the corresponding fiscal year until the maximum percentage of net income allowed as a deduction shall be zero.

3. In computing depletion allowance there shall first be deducted from gross income all sums paid for rents or royalties, or for the purchase of crude ore or concentrates.

Subsection 71.047 (1):

1a. Corporations having a gross income of at least $100,000 in calendar year 1976 or the corresponding fiscal year from the mining of low-grade iron ore in this state may deduct, in lieu of depletion based upon cost of such ore, percentage depletion in the amount of 15% of the gross income from mining of such low-grade iron ore after first deducting from such gross income all sums paid for rents or royalties. For taxes paid for calendar year 1977 or the corresponding fiscal year, a depletion allowance shall be allowed as a deduction which is 90% of the amount of depletion allowance for 1976. The amount computed under this paragraph which shall be allowed as a deduction shall be reduced 10 percentage points each year for the 9 succeeding years after calendar year 1977 or the corresponding fiscal year until the amount deducted shall be zero.

1b. For taxes paid in calendar year 1977 or the corresponding fiscal year, the allowance provided in paragraph (a), shall not exceed 45% of the taxpayer's taxable income from such mining computed under this chapter without the allowance for depletion provided by this section. The maximum percentage of net income allowed as a depletion allowance under this paragraph shall be reduced 5 percentage points each year for the 9 succeeding years after calendar year 1977 or the corresponding fiscal year until the maximum percentage of net income allowed as a deduction shall be zero.

Severance Tax

Metalliferous Minerals Occupation Tax (Section 70.375)[1]:

Persons engaging in mining metalliferous minerals in Wisconsin are subject to tax. The tax is imposed on the average of net proceeds realized from mining metalliferous minerals for the preceding 3-year period at the following rates:

Average Net Proceeds for the Preceding Three Years	Tax Rate
$100,001 to $4,000,000	6%
$4,000,001 to $10,000,000	12%
$10,000,001 to $20,000,000	16%
$20,000,001 to $30,000,000	18%
Over $30,000,00	20%

Months during which there is no production, or insignificant production, are omitted and the average of net proceeds is computed on those months in which there was production. "Net proceeds" is the difference between gross proceeds and allowable deductions. "Gross proceeds" are computed by multiplying the production of recovered metalliferous minerals for the tax year by the average price of the mineral for that year.

The following deduction are allowed: 1) actual and necessary expenses for labor, tools and supplies used in mining; 2) expenses for transporting, milling, reducing, assaying, and sampling the ore and for necessary further production; 3) appraisal, accounting,

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[1]From State Tax Guide, CCH, paragraph 45-931.

legal, administrative, medical engineering, clerical, and technical service expenses; 4) repair and maintenance expenses; 5) Wisconsin general and personal property taxes; 6) personal property rentals; 7) costs of relocating employees in Wisconsin; 8) bond premium costs; 9) insurance premium costs; 10) losses from uninsured casualty losses and from personal property sales; 11) depreciation and amortization of the actual cost of certain items over their expected life using the straight-line method; and 12) royalties paid to owners of mineral rights to lands where the mine is located if metalliferous minerals were extracted at the mine five or more years prior to July 7, 1977.

Property Taxes

Property exempt from taxation:

In assessing lands from which metalliferous minerals are being extracted and valued for purposes of the tax under Section 70.375 (Metalliferous Minerals Occupation Tax), the value of the metalliferous mineral content of such lands shall be excluded (Chapter 31, Laws 1977; Subsection 70.995(5)).

WYOMING

Severance Taxes

1. Oil and Gas production Tax (Section 30-228)[1]: All persons owning oil or gas wells must pay a tax on the value at the well of all oil and gas produced, saved and sold or transported. The interest of the United States, Indians, the state and its political subdivisions are exempt, as are oil and gas used in producing operations or for repressuing or recycling operations.

   The charge is to be fixed by the Oil and Gas Conservation Commission, not to exceed 2/5 mills per dollar. (The current rate is 3/10 mills per dollar).

2. Mining Excise and Severance Taxes[2]: Persons, partnerships, corporations, companieds, firms or associations (Section 39-227.3) extracting trona, coal, petroleum, natural gas, oil shale, any other fossil fuel, or any valuable deposit, must pay an excise tax based on the value of the gross product extracted (Chapter 51, Laws 1977; Section 39-6-302). The tax is in lieu of taxes on the land (Article 15, Section 3, Wyoming Constitution). In addition, a severance tax is levied upon the privilege of extracting or producing coal based on a percentage of the value of the gross product of the coal extracted or produced. The coal severance tax expires on January 1 following the year in which revenue produced by the tax totals $160,000,000 (Chapter 189, Laws 1976; Section 39-6-303). Persons owning an interest in such products are liable for the taxes to the extent of their interest ownership (Section 39-6-306). The Department of Revenue and Taxation computes the amount of tax levied, and notifies each taxpayer of the amount due on or before the first weekday in July (Chapter 51, Laws 1977; Section 39-6-304).

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[1]From State Tax Guide, CCH, paragraph 45-951.

[2]From State Tax Guide, CCH, paragraph 45-955.

Tax rates are as follows:

Mineral Excise Taxes (Chapter 51, 155, 189, Laws 1977; Section 39-6-302)

1. Uranium, trona, coal, petroleum, natural gas, oil shale or any other fossil fuel . . 2.0%

2. Additional tax on any valuable deposits, except stripper production 2.0%

3. Additional excise tax on trona, coal and uranium (Effective until January 1 next following the year in which revenue produced by this tax totals $250 million) 1.5%

4. Additional excise tax on the privilege of extracting coal 3.0%

Coal Excise Tax (Chapter 189, Laws 1977; Section 39-6-303)

1. Coal produced during 1975 . . . . . 0.8%

2. Coal produced during 1976 . . . . . 1.2%

3. Coal produced during 1977 . . . . . 1.6%

4. Coal produced during 1978 and thereafter (effective until January 1 next following the year in which revenue produced by this tax totals $160 million) 2.0%

Property Taxes

Property exempt from ad valorem taxation (Section 35-502.55):

Land for mines or mining claims are exempt from property taxes.[3]

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[3] From State Tax Guide, CCH, paragraph 20-952.

MINERALS REFERENCE TABLE*

*All statistics concerning mineral production are taken from Minerals Yearbook, 1974, Vol. I; Metals, Minerals and Fuels. U.S. Department of the Interior, prepared by the staff of the Bureau of Mines. U.S. Government Printing Office, Washington, D.C., 1976.

MINERALS REFERENCE TABLE

I. Iron Ore
Crude iron ore mined in the major producing states - 1974

State	Total Quantity[1]	(% of U.S. Total)[2]	Tax Rates
Minnesota	153,794	(71%)	1. 15.5% of market value of taconite, semi-taconite and iron sulphides. 2. Taconite, iron sulphides and agglomerate taxes--$1.25 per ton ($.05 per ton for agglomerates). Additional tax may be imposed if steel mill products index rises. Additional 1.6% of above tax per ton for each 1% that iron content exceeds 62%. Additional tax of $.10 per ton imposed on tailings not deposited on authorized lands. 3. Semi-taconite tax--$.10 per ton ($.05 per ton if agglomerated or sintered in Minnesota) plus one-tenth of $.01 per 1% that iron content exceeds 55%. 4. Ore royalty tax--15.5% of royalty received except 1.5% on taconite, semi-taconie and iron sulphides.[3]
Michigan	27,638	(13%)	

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1. Thousand long tons and exclusive of ore containing 5% or more manganese.
2. Figues presented are rounded.
3. From CCH State Tax Handbook, under Minnesota 45.4, 45.8

II. Uranium
Production in the major producing states - 1974

State	Mine Production[1] (Figures in parentheses are % of U.S. total)		Tax Rates
	Ore (1,000 tons)	U_3O_8 Content-tons	
New Mexico	2,997 (42%)	5,400 (43%)	Of taxable value per pound of U_3O_8 is:

Over	But Not Over	The Tax Per Pound Is:
$5.00	$ 7.50	$ .05 plus 1.6% of excess over $ 5.00
7.50	10.00	.09 plus 2.0% of excess over 7.50
10.00	15.00	.14 plus 3.0% of excess over 10.00
15.00	20.00	.29 plus 4.0% of excess over 15.00
20.00	25.00	.49 plus 5.0% of excess over 20.00
25.00	30.00	.74 plus 7.0% of excess over 25.00
30.00	40.00	1.09 plus 9.0% of excess over 30.00
40.00	50.00	1.99 plus12.5% of excess over 40.00
50.00		3.24.

On July 1, 1978 and on July of each succeeding year, the tax rate on uranium will be increased by a surtax. The surtax rate will be computed by the Commissioner of Revenue by multiplying the dollar amount of the severance tax by a percentage equal to 25% of the percentage rise in the consumer price index from the annual average for calendar year 1976 to the annual average for the calendar year just prior to the year in which the surtax rates are computed. The surtax will apply only to uranium-bearing material containing U_3O_8 having a taxable value per pound equal to or greater than $50.

(continued, next page)

II. Uranium (continued)

State	Mine Production[1] (Figures in parentheses are % of U.S. total)[2]		Tax Rates
	Ore (1,000 tons)	U_3O_8 Content	
Wyoming	2,458 (35%)	4,000 (32%)	1. 2% value of gross product. 2. Additional tax on any deposit except stripper production - 2%. 3. Additional excise tax (effective until January 1 next following the year in which revenue produced by this tax totals $250 million) - 1 1/2%
Other	1,681 (23%)	3,200 (25%)	
Colorado			2.25% of gross in income exceeding $11 million.
Texas			
Utah			1% of the gross amount received or the gross value of ore or uranium sold.

1. Includes output of approx. 200 tons of U_3O_8 from mine waters and trenching operations.
2. Figures presented are rounded.

III. Coal

Coal (bituminous and lignite) production in the major producing states - 1974 (thousand short tons).

State	Total Production	(% of U.S. Total)[1]	Tax Rates
Kentucky	137,197	(23%)	4.5% of gross value
W. Virginia	102,462	(17%)	3.5% of gross proceeds
Pennsylvania	80,462	(13%)	
Illinois	58,215	(10%)	
Ohio	45,409	(8%)	1. $.40 per ton of coal delivered with a sulfur content of less than one-half of 1% by weight; $.35 per ton for coal with a sulfur content of one-half of 1% or more but less than 1%; $.30 per ton for coal with a sulfur content of of 1% or more but less than 1½; and $.15 per ton for coal with a sulfur content of 1½% or more. The tax on coal processed to remove sulfur before combustion is calculated on the basis of its sulfur content before processing. 2. Additional $.04 per ton tax.
Virginia	34,329	(6%)	
Indiana	23,726	(4%)	
Wyoming			1. 1.2% of value of gross product. 2. Additional tax of 2% plus a tax of 2% on any valuable deposits, except stripped production.

1. Figures presented are rounded.

IV. Phosphate Rock

Phosphate rock mine production in major producing states - 1974 (thousand tons).

State	Mine Production	P_2O_5 Content	(% of U.S. total)	Tax Rates
Florida & No. Carolina	142,128 (91%)	17,712	(85%)	Florida 10% of market value.
Tennessee	4,135 (3%)	821	(4%)	
Western States	9,584 (6%)	2,220	(11%)	
Idaho				2% of net value
Missouri				
Montana				$25 plus one-half of gross value of the product if in excess of $5,000.
Utah				1% of the gross a amount received for or the gross value of ore or metals sold.
Wyoming				Tax on any valuable deposit except stripper production --2% of gross product.

1. Figures presented are rounded.

V. Crude Oil
Production in the major producing states - 1974

State	% of U.S. Total[1]	Tax Rates
Texas	39.4%	1. 4.6% of market value per barrel of 42 gallons or 4.6% per barrel, whichever is higher. 2. Additional tax of 3/10 cent per barrel.
Louisiana	23.0	12½% of value at time and place place of reverance. Wells incapable of producing more than 25 barrels of oil per day which also produce at least 50% salt water per day, one-half of the above rate. Wells incapable of producing more than 10 barrels of oil per day, one-quarter of the above rate.
California	10.1%	An annual charge based on the number of barrels produced by the Department of Conservation.
Oklahoma	5.5%	7% on the gross value plus .085 of 1% of the gross value of each barrel of oil produced in Oklahoma.
Wyoming	4.4%	1. 2% value of gross product. 2. Additional tax on any valuable deposits except stripper production -2%.

1. Figures presented are rounded.

VI. Natural Gas

Withdrawls of natural gas in major producing states - 1974
(million cubic feet at 14.73 psia)

State	Total Quantity	(% of U.S. Total)[1]	Tax Rates
Louisiana	7,037,259	(38%)	1. Gas (per 1,000 cu ft.): At 15,025 lbs. pressure per square inch at 60° F.-- $.07 per 1,000 cubic feet. From oil well with 50 lbs. pressure per square inch gauge or less--$.03. From well incapable of producing average of 250,000 cubic feet per day--$.015. 2. Additional tax of $.01 per 1,000 cubic feet for person engaged in gathering natural or casinghead gas.
Texas	7,029,073	(38%)	Seven and one-half percent of market value except that tax on sweet and sour natural gas shall not be less than 121/1500 of $.01 per 1,000 cubic feet.
Oklahoma	1,425,283	(8%)	Seven percent of the gross value plus 0.085 of 1% of the gross value of natural gas production in Oklahoma.
Kansas	747,580	(4%)	For the prevention of stream pollution $.00005 per 1,000 cubic feet imposed by the state Board of Health. For the purpose of gas conservation not over $.0008 on each 1,000 cubic feet imposed by the State Corporation Commission.

1. Figures presented are rounded.

VII. Silver

Production of recoverable silver in the major producing states - 1974

State	Total Quantity	(% of U.S. Total)[1]	Tax Rates
Idaho	12,435,701	(37%)	2% of net value of ore mined.
Arizona	6,355,528	(19%)	
Montana	3,512,161	(10%)	1. The rates for each portion of gross value of the products obtained are as follows:
			First $100,000 . . . . . 0.15 of 1%
			Exceeding $100,000, not exceeding $250,000 . . 0.575 of 1%
			Exceeding $250,000, not exceeding $400,000 . . 0.86 of 1%
			Exceeding $400,000, not exceeding $500,000 . . 1.15%
			Exceeding $500,000 . . . . . 1.438%
			2. Additional tax of $25 plus one-half of 1% of the gross value of the product if in excess of $5,000.
Utah	3,207,923	(10%)	1% of the gross amount received for or the gross value of ore of metals sold.
Colorado	2,783,978	(8%)	2.25% of the gross income exceeding $11 million.
Missouri	2,387,250	(7%)	
New Mexico	1,194,800	(4%)	one-eighth of 1% of gross value.
Nevada	872,243	(3%)	net proceeds taxed at ad valorem rate
Michigan	642,944	(2%)	

1. Figures presented are rounded.

VIII. Gold

Production of recoverable gold in the major producing states - 1974

State	Total Quantity	(% of U.S. Total)[1]	Tax Rates
So. Dakota	343,723	(31%)	4% of net profits
Nevada	298,754	(27%)	Net proceeds taxed at ad valorem rate.
Utah	254,909	(23%)	1% of the gross amount received for or the gross value of ore or metals sold.
Arizona	90,586	(8%)	
Colorado	52,268	(5%)	2.25% of gross income exceeding $11 million.
Montana	28,268	(3%)	1. The rates for each portion of the gross value of the products obtained are as follows:
			First $100,000. . . . . 0.15 of 1%
			Exceeding $100,000, not exceeding $250,000 . 0.575 of 1%
			Exceeding $250,000, not exceeding $400,000. 0.86 of 1%
			Exceeding $400,000, not exceeding $500,000. 1.15%
			Exceeding $500,000 . . . . . 1.438%
			2. Additional tax of $25 plus one-half of 1% of the gross value of the product if in excess of $5,000.
New Mexico	15,427	(1%)	one-eigth of 1% of gross value.

1. Figures presented are rounded.

REFERENCE TABLE TO FEDERAL AND STATE DEPLETION ALLOWANCE POLICY

REFERENCE TABLE TO FEDERAL AND STATE DEPLETION ALLOWANCE POLICY

(Code section numbers; "FC" means based on Federal Internal Revenue Code)

	Personal Income Taxes			Corporate Income Taxes		
	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depletion	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depleti
Federal	(611)	(613; 613A)[1]	(612)[1,2]	(611)	(613; 613A)[1]	(612)[1,2]
Alabama	(40-18-15)	(40-18-16)[3]	(40-18-16)[4]	(40-18-35)	(40-18-16)[3]	(40-18-16)
Alaska	(43.20.021)	FC[1,5]	FC[1]	(43.20.021)	FC[1,5]	FC[1]
Arizona	---	---	---	(43-123.15)	(43-145)[3]	(43-145)[4]
Arkansas	---	---	---	(84-2016)	(84-2016)	(84-2016)[2]
California*	(17681)	(17686; 17687)[3]	(17682)[2]	(24835)	(24832; 24833)[3]	(24831)[2]
Colorado	(39-22-110)	FC[1,6]	FC[1]	(39-22-110)	FC[1,6]	FC[1]
Connecticut	NA	NA	NA	(12-217)	FC[1]	FC[1]
Delaware	(Title 30, 1105)	---[7]	FC[1]	(Title 30, 1903)	---[7]	FC[1]

*All California citations, refer to California Revenue and Taxation Code.

	Personal Income Taxes			Corporate Income Taxes		
	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depletion	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depleti
Florida	NA	NA	NA	(220.13)	FC[1]	FC[1]
Georgia	(92-3107)	FC[1]	FC[1]	(92-3102)	FC[1]	FC[1]
Hawaii	(235-1)	FC[1]	FC[1]	(235-1)	FC[1]	FC[1]
Idaho	(63-3022)	---[7]	FC[1]	(63-3022)	FC[1]	FC[1]
Illinois	(Ch. 120, 2-203)	FC[1]	FC[1]	(Ch. 120, 2-203)	FC[1]	FC[1]
Indiana	(6-3-1-3.5)	FC[1]	FC[1]	(6-3-1-3.5)	FC[1]	FC[1]
Iowa	(422.7)	FC[1]	FC[1]	(422.35)	FC[1]	FC[1]
Kansas	(79-32, 109)	FC[1]	FC[1]	(79-32, 109)	FC[1]	FC[1]
Kentucky	(141.010)	FC[1]	FC[1]	(141.010)	FC[1]	FC[1]
Louisiana	(47:293)	FC[1]	FC[1]	(47:66)	(47:158)[3]	(47:158)[4]
Maine	(Title 36, 5121)	FC[1]	FC[1]	(Title 36, 5102)	FC[1]	FC[1]

	Personal Income Taxes			Corporate Income Taxes		
	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depletion	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depleti
Maryland	(Art. 81, 280)	FC[1]	FC[1]	(Art. 81, 280A)	FC[1]	FC[1]
Massachusetts	---	---	---	(Ch. 30, 63)	FC[1]	FC[1]
Michigan	(206.30)	FC[1]	FC[1]	(208.3)[8]	FC[1]	FC[1]
Minnesota	(290.01)	FC[1]	FC[1]	(290.09)	---	(290.16)[2]
Mississippi	(27-7-17)	---	(27-7-17)	(27-7-17)	---	(27-7-17)[2]
Missouri	(143.121)	FC[1]	FC[1]	(143.431)	FC[1]	FC[1]
Montana	(84-4905)	FC[1]	FC[1]	(84-1502)[9]	FC[1]	FC[1]
Nebraska	(77-2715)	FC[1]	FC[1]	(77-2734)[10]	FC[1]	FC[1]
Nevada[11]	NA	NA	NA	NA	NA	NA
New Hampshire	(77-B)[12,13]	FC[1]	FC[1]	---	---	---
New Jersey	(54:8A-36)*	FC[1]	FC[1]	---	---	---

*See Commuter's Income Tax under New Jersey in States' Taxes Table.

	Personal Income Taxes			Corporate Income Taxes		
	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depletion	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depletic
New Mexico	(72-15A-2)	FC[1]	FC[1]	(72-15A-2)	FC[1]	FC[1]
New York	(Tax, 612)	---[7]	FC[1]	(Tax, 208)[14]	FC[1]	FC[1]
North Carolina	(105-147)	FC[1]	FC[1]	(105-130.3)	FC[1]	FC[1]
North Dakota	(57-38-01.2)	FC[1]	FC[1]	(57-38-01.3)	FC[1]	FC[1]
Ohio	(5747.01)	FC[1]	FC[1]	---	---	---
Oklahoma	(Title 68, 2353)	FC[1, 15]	FC[1]	(Title 68, 2353)	FC[1, 15]	FC[1]
Oregon	(316.022)	FC[1, 16]	FC[1]	(Ch. 317; Ch. 318)[17]	(317.290; 318.030)[3]	(317.290; 318.030)[2]
Pennsylvania	NA	NA	NA	(Title 72, 7401; Title 72, 7501)	FC[1]	FC[1]
Rhode Island	(44-30-12)	FC[1]	FC[1]	(44-11-11)[18]	FC[1]	FC[1]
South Carolina	(12-7-700)	FC[1]	FC[1]	(12-7-700)	FC[1]	FC[1]
South Dakota	NA	NA	NA	NA	NA	NA

	Personal Income Taxes			Corporate Income Taxes		
	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depletion	Deduction for Depletion	Basis for Percentage Depletion	Basis for Cost Depleti
Tennessee	---[13]	---	---	(67-2704)[19]	FC[1, 20]	FC[1, 20]
Texas	NA	NA	NA	NA	NA	NA
Utah	(59-14A-11)	FC[1]	FC[1]	(59-13-7)[21]	(59-31-7)[3]	(59-13-7)[2]
Vermont	(Title 32, 5811)	FC[1]	FC[1]	(Title 32, 5811)	FC[1]	FC[1]
Virginia	(58-151.013)	FC[1]	FC[1]	(58-151.032)	FC[1]	FC[1]
Washington	NA	NA	NA	NA	NA	NA
West Virginia	(11-21-12)	FC[1]	FC[1]	(11-24-3)	FC[1]	FC[1]
Wisconsin	(71.02)	FC[1]	FC[1]	(71.04, 71.046)	(71.046)[3]	(71.04)
Wyoming	NA	NA	NA	NA	NA	NA

FOOTNOTES

1. See States' Taxes Table for rates. (Rates refer only to minerals considered herein.)

2. Computed on the basis of the property.

3. See States' Taxes Table for rates. (Rates refer only to minerals considered herein.)

4. Computed on the basis of discovery value.

5. See Mining License Tax under Alaska in States' Taxes Table.

6. Special percentage depletion allowance for shale oil, subsection (39-22-110(3)(h)) - see Colorado under States' Taxes Table.

7. No allowance for percentage depletion - see State in question under States' Taxes Table.

8. From Single Business Tax, which is not an income tax - see Michigan, under States' Taxes Table.

9. From Corporation License Tax - see Montana under States' Taxes Table.

10. See Nebraska under States' Taxes Table for an interpretation concerning the deduction allowed for corporate income tax purposes.

11. See Net Proceed Tax under Nevada in States' Taxes Table.

12. See Commuter's Income Tax under New Hampshire in States' Taxes Table.

13. Personal Income Tax refers to dividends and interest only.

14. See Franchise Tax on Business Corporations, under New York in States' Taxes Table.

15. Special percentage depletion for oil and gas well, see Oklahoma in States' Taxes Table.

16. See Oregon in States' Taxes Table.

17. For Corporation Excise Tax and Corporation Income Tax, see Oregon in States' Taxes Table.

18. Business Corporation Tax, see Rhode Island in States' Taxes Table.

19. Excise Tax on Corporate Earnings, see Tennessee in States' Taxes Table.

20. See Tennessee in States' Taxes Table.

21. Franchise and Privilege Taxes, see Utah in States' Taxes Tsble.